

World Business Newspape

Britain

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THE ROGUE PIECE IN EUROPE'S JIGSAW

In a six-page report in tomorrow's paper, FT writers take the temperature of modern Britain and examine the issues behind its currant conflict with its European

NatWest poised for US expansion with \$600m purchase

National Westminster Bank is expected today to announce a \$600m acquisition in the US designed to further the UK clearing bank's ambitions to develop a leading international securities business. NatWest is acquiring Greeowich Capital Markets. a Connecticut based broker, from Long-Term Credit Bank of Japan. Greenwich will give NatWest a presence in the trading of US government bonds and related derivatives

BA and American to seal link; British

Airways and American Airlines are expected today to announce their long-awaited alliance amid strong opposition from rival carriers. Page 17

Debis may sell marketing arm: interServices (Debis), services arm of the Daimler-Benz industrial group, is considering the sale of its Frankfurt-based marketing and advertising subsidiary, Page 17

Slight fall in German jobless: Voemployment in Germany fell by just under 150,000 last month, but a smaller than expected seasonally adjusted decline showed there is as yet no easing of the country's employment crisis. Page 16; German tax cuts luxury car sales 9.5%, Page 2



begin for a year. Mr De Benedetti was briefly dep-uty chairman of Banco Ambrosiano. Page 3

China may partner Airbus: Airbus Industrie is to use its likely involvement in the development of become a partner in the European consortium's planned "super jumbo". Page 6

of Takashimaya, Japan's largest and oldest depart-ment store, may resign over allegations that the company paid racketeers oot to disrupt sharebold.



Page 19

Japan's economy

Damascus

bombing

Martin Wolf, Page 14

TUESDAY JUNE 11 1996

European companies stand to gain as reward for 'more lenient' policies

Peng warns US over trade

By Tony Walker, Peter Montagnon and John Ridding in Beijing

Mr Li Peng. the Chinese premier, has warned that Beijing will favour European companies over their US counterparts as reward for their governments' pursuit of "more China. lenient" policies towards

In a blunt assertion of China's intention to use its growing economic weight for political ends, Mr Li praised the Europeans for axtending "more favourable terms" to China and strongly criticised the US.

"They do not attach political strings to co-operation with China, unlike the Americans wbo arbitrarily resort to the threat of sanctions or the use of sanctions.

CBS owner

plans split

to revive

prompted China to enter into loser co-operation with the Europeans," he said.

Mr Li. 67, made his remarks in a rare interview. Regarded as a bardliner, China's premier has shunned contact with the western press since ha ordered troops to crack down on student demon strators in and around Beijing's Fiananmen square in 1989. Mr Li, who auffered a heart attack in 1993, showed no sign of fatigue during a 90-minute dis-cussion at Beljing's Zhongnanhai leadership compound. He mada it clear that if talks this week with the US on intellectual property rights failed. China would impose

imports of US goods. China's premier, who visited

That is the reason that bas France in May where he signed e \$1.2bn order for 33 Airbus air-

craft, made clear more orders would follow if Europe continued to pursue benign policies, "If the Europeans adopt more co-operation with China in all areas, not just in economic areas but also in political and other

....Page 3 Softer line on Hong KongPage 15

areas, then I believe the Europeans can get more orders from China," he said. Mr Li, who is the architect in

the Chinese government of the \$30bn Three Gorges hydro-power dam project on the Yangtze river, said the US decision to withhold US EximBank financing for the

project had effectively "killed" US involvement. "But," he added, "the decision

will lead to no loss for China because China can obtain the same technology from the Euro-peans or from the Russians." Mr Li also sought to sound con-ciliatory on China's difficult rela-

tions with the outside world, including tha US. Among his main points were: • China is committed to a "dig-nified" bandover ceremony for

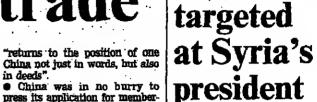
Hong Kong. Beijing wants to improve ties with the US and bopes relations can survive the presidential election year "without big ups and

"returns to the position of one China not just in words, but also

• China would easa credit

duction of marketable products. He said China was committed to pressing ahead with its reform

seeking to transform lossmaking



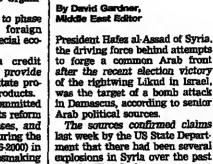
· China was in no burry to press its application for membership of the World Trade Organi

· Beijing had no plans to phase ont tax benefits for foraign funded enterprises in special eco-

where appropriate to provide working capital to facilitate pro-

of state-owned enterprises, and would focus its efforts during the ninth five-year plan (1996-2000) in

companies in its north-east industrial heartland



month. The Syrian government last Thursday dismissed these claims as "silly and baseless". But the Financial Times has learned that a bomb exploded on May 6 on the route Mr Assad was to have taken to the annual commemoration of nationalist rebels executed by the Ottoman Empire in the 19th century. The Syrian leader did not, in the event,

attend the ceremony. Sinca that explosion, Mr Assad'a security services have Arab sources say. The arrests have been almost entirely among the ethnic Turkish community in Syria, indicating that Damascus suspects Turkey, a US ally and Nato member, of trying to undermine Syrian stability.

There have also been two recent call-ups of army reserv-ists: at the end of April, during Israel's 17-day bombardment of

Lebanon, and in May. The Syrian government had claimed that the US report of explosions was an attempt to divert world attention from what is happening in Israel". Mr Benjamin Netanyahu, the Likud prime minister elect, has said he vill not surrender the captured Golan Heights in exchange for peace with Damascus, or countenance a Palestinian state.

Circumspect reports on unex-plained explosions in Syria began appearing late last week in newspapers in Lebanon, which is policed by 40,000 Syrian troops stationed there since the height



Ambrosiano 14 years ago The sentence will be

a 100-seat Chinese jet to seek to persuade China to

ers' meetings. Pege 16

anese store chief may quit: The president

Westingbouse Electric, a household name in US business, said yesterday that it was considering splitting into two separate companies in a bid to win back

investor support. The move would be the final chapter in the lengthy restructuring of the conglomerate, during which it has shed husinesses in household appliances, furniture, property and, most recently, defence electronics.

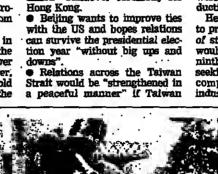
The announcement comes seven months after Westinghouse completed a \$5.4bn purchase of CBS, one of the US's three main network television groups, and appeared to be an admission that the deal had failed to rekindle stock market enthusiasm.

By shifting its focus towards broadcasting, a business with higher growth prospects than its

By Richard Waters in New York

investor enthusiasm Airbus bones for China

'counter-sanctions" against



Paris denies welfare deficit threat: The French government said its plans for European monetary union, tax restraint and welfare reform would not be affected by a forecast that the social security deficit will rise to FFr48.6bn (\$9.45bn) in 1996, triple the government's target. Page 3

Japan's surplus falls: Japan's current account surplus in April was down 45 per cent on a year ear-lier according to preliminary data from the finance ministry, but the pace of decline is expected to ease. Page 4; Japan looks to Asia, Page 14

Former World Service chief attacks BBC: John Tusa, former managing director of the BBC World Service. attacked top management at the public service corporation for a restructuring be called the "biggest act of bureaucratic vandalism against the World Service". Page 8

Fujitsu delays Oregon start-up: Fujitsu, one of Japan's leading semiconductor manufacturers, is postponing the start of production at a \$1bn factory in Oregon by about six months because of a sharp slump in prices for memory chips. Page 17; Lex, C Page 16

BIS considers expansion: The Bank for International Settlements may invite fast-growing countries in Asia and Latin America to join its ranks. Page 5

Draw for Scotland: Scotland drew 0-0 with The Netherlands in their first group match in the Euro 96 football championships, at Villa Park, Birming. ham.

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traditional industrial operations, Mr Michael Jordan, the company's chairman, had hoped to lift a share price that has barely moved for the past three years. "The bope was that that would be reflected in the stock price.

That has been only partly true," said a source close to Westinghouse. The group has been concerned

about a possible bostile bid. Late last year, it adopted a poison pill plan to ward off that possibility.

A break-up would separate the group's broadcasting business, based around CBS, from its industrial operations, which include power generation and refrigerated transport businesses. Mr Fred Reynolds, the company's chief financial officer, called the plan "the logical next step" in increasing the group's value.

Tha stock market welcomed tha proposal yesterday morning, lifting Westinghouse's shares \$1, or 5 per cent to \$19%. The reaction echoed the welcome given to other corporate braak-ups, including ITT and AT&T.

"The investment community has had a hard time deciding what this company wants to be," said Mr Jonas Stiklorius, an analyst at NatWest Securities in New York.

A hreak-up would create a broadcasting company with television stations covering e third of US households, as well as one of the country's largest radio sta-tion groups and the CBS television network. With its separately traded stock, it would be better positioned to launch acquisitions, Mr Jordan told a briefing of stock market analysts.

Broadcasting already generates about 60 per cent of the group's carnings before interest, tax and depreciation.

Another aim of a break-up would be to help the group's

Continued on Page 16

Mr Chirac caused a diplomatic

Mr Lamberto Dini, then Italian Lex, Page 16 | prime minister, for the way in

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Italian PM begins preparing for lira's re-entry into ERM

By Andrew Hill in Milan

Italy, France and Germany have agreed to start work on returning the lira to the European exchange rate mechanism, Mr Romano Prodi, Italy's prime minister, said yesterday in Paris.

Following a mini-summit with Mr Jacques Chirac, the French president, Mr Prodi said the three countries would begin prepara-tions immediately after the Flor-ence summit of European Union aders on June 21 and 22,

Mr Prodi said that he and Mr Chirac had "prepared the proce-dure for ERM re-entry". Yesterday'a meeting was part of a pre-summit tour of EU capitals by the Italian prime minister. Italy holds the presidency of the Union until the end of June.

After a summit two weeks ago with Mr Helmut Kohl, the German chancellor, the Italian prime minister said he was aiming to return the lirs to the ERM by the end of the year. Since then, the new Italian gov-

eroment has been under pressure from the financial markets to clarify its position on rejoining the ERM. Yesterday's declaration under-

pins the commitment to early reentry, especially as Mr Chirac was last year among the most vocal critics of the weak lira.

row at last year's Cannes summit of EU leaders when be criticised

which the weakening lira was distorting competition between French and Italian business

Yesterday, the lira stood et about L1,010 against the D-Mark, compared with nearly L1,200 a year ago. Analysis believe that if preparatory work on ERM re-en try starts et the end of this month, the currency could return to the system during the antumn. The lira left the ERM, with sterling, in September 1992, and political instability mada it one of the most volatile European currencies in the following three years. But in the past 12 months, the lira has recovered strongly, and was helped by the April 21 election of e centre-left government.

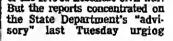
Italian antrepreneurs bave even begun to express concern that they may lose the competitive position they built up in export markets between 1992 and 1995

Mr Prodi said Mr Chirac had expressed "satisfaction with the new political stability in Italy, which will allow a deeper relationship between Italy and France, and will contribute to European integration".

The Italian prima minister added that the mini-budget for 1996, necessary to put the Italian economy back on course towards the Maastricht treaty's economic convergence targets, would be completed before the Florence summit.

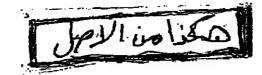
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Continued on Page 16 Pressure on Israeli PM, Page 5





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NEWS: EUROPE

present

German tax cuts luxury car sales by 9.5%

By Wolfgang Münchau in Frankfurt

Germany's leading carmakers said yesterday that a new company car tax had led to a drastic fall in sales of luxury cars, warning that 12,000 jobs were now at risk.

The German Motor Industry Association (VDA), the main car industry lobbying group, said that sales of luxury cars had fallen by 9.5 per cent during the first four months of the year. Tha chairmen of

buys

30%

of TV

channel

By Chrystia Freeland in

Gazprom, the state-controlled

natural gas producer which is Russia's largest company, will today announce its acquisition

of a 30 per cent stake in NTV,

the country's only indepen

the move threatens to bring

NTV, which until recently had

cultivated a reputation as one

sources of news, onder closer

sin's re-election campaign and

retains close ties with Mr Vic-

tor Chernomyrdin, the former

Gazprom boss and prime min-

ister, is seen as a sign of the Kremlin's remarkable skill at

co-opting rival financial and

A year and a half ago, Mr Vladimir Gnsinsky, the Russian banker who sold the

NTV stake to Gazprom but

atill owns a controlling interest in the television

company, watched bls bodygnards being hrutally beaten by the president's security force. After the incident, Mr Gaslusky spent nearly a year in self-imposed

if he returned to Russia.

political forces.

dent television channel.

Germany's four luxury car who would normally be sales would suggest makers - Mercedes-Benz, entitled to a luxury company The VDA said th BMW, Porsche and car have asked their trend continues in t Volkswagen - yesterday met in the VDA's executive companies to provide them with smaller cars instead. committee, denouncing the tax For Germany's car as highly damaging to the competitiveness of the German manufacturers, the strong decline in sales in the upper car industry. segment of the market is The new tax was introduced particularly worrying, aince

large cars carry a significantly greater profit margin than at the beginning of the year and is based on the value of a car, while previously the tax small or mid-sized cars. was based more on usage. Since the new tax was

introduced, many employees

The VDA said that "if the trend continues in the coming months, we expect that 12,000 jobs are put at risk despite the introduction of many new attractive models." The fall in sales comes at a

time of high unemployment and worries over German industry's failure to create new 100S The VDA bas been

As a result, the impact on campaigning for some time in the profitability is bound to be against the tax, which it revenue-much greater than the fall in regards as the biggest threat to (\$716m).

The government is waiting for the Bundesrat, the upper the German car industry at The issue has united the car house of parliament, to bring industry with Mr Klaus forward new legislation, but the finance ministry has Zwickel, the president of IG insisted that any new Metall, the metalworkers' union, also criticising the tax arrangement would also have to be seen as fair to the because of its impact on jobs.

The government is in principle prepared to reconsider the details of the taxpayer Tax fairness is a crucial issue at a time when the government is hoping to enact company car tax as long as any a harsh programme of budget new arrangement would bring cuts, eating deep into the fabric of Germany's welfare in the same amount of revenues of abont DM1.1bn state

Slovenia moves to join the EU

EUROPEAN NEWS DIGEST

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Slovenia yesterday applied for full membership of the European Union, after signing a long-delayed association agreement with the EU, the first step to EU membership. It is the tenth country from central and east Europe to become an associate member.

Citing a healthy economy. Slovenia hopes to join the EU as early as 2001. The agreement had been delayed by a long-running dispute with Italy over property rights for ethnic Italians who had fied after the second world war. The issue has been settled in a compromise, with Slovenia allowing EU nationals to buy property within four years of the association agreement being ratified.

The deal opens up trade possibilities and sets up regular co-operation in areas ranging from foreign affairs and crime-fighting to tourism and education. Though the EU has no formal timetable for enlargement, it

has indicated membership talks could start with east European nations next year. Slovenia, the most developed economy in central or east Europe, is expected to be one of the front-runners for early EU membership, alongside Poland, the Czech Republic and Hungary. Kevin Done, London

Credit rating boost for Hungary

Hungary was yesterday awarded a BBB- investment grade rating by Duff & Phelps (DCR), the US credit rating agency. The decision follows similar action in April by IBCA, the London-based agency. It is a further sign of Hungary's rehabilitation in the international financial community, despite Standard and Poor's and Moody's, the two biggest

credit rating agencies, still rating Hungary as a sub-investment grade risk (BB+ and Ba1 respectively).

DCR said the rating reflected "Hungary's demonstrated commitment to maintain an unblemished debt service record, strong integration into Europe's market economies and substantial progress in implementing structural reforms." It argued that these factors outweighed the risks linked to Hungary's relatively high level of indebtedness, problems stemming from its macro-economic difficulties of 1993 and 1994 and its social welfare system. "Hungary has been the leading recipient of foreign direct

investment in the central and eastern European region, which signals long-term investor commitment and confidence," said DCR. Richard Lapper, London

Turks lose fear of Islamist party

The pro-Islamic Refah party gained support from some union and business leaders yesterday, as its leader began talks with other party bosses in an attempt to form a coalition government.

Refah, which ended with the largest share of the vote after the December parliamentary elections, was blocked from power by a coalition of two centre-right parties which collapsed last week. Refah's anti-secular and anti-western rhetoric has scared many in the business community, but some may be softening their opposition.

"Refah should be supported to form a minority government," said Mr Bayram Meral, leader of the Turkish Confederation of Labor Unions. "There is no reason to be afraid of Refah."

Mr Sakip Sabanci, one of Turkey's most powerful businessmen, agreed. "If we believe in democracy, we have to test Refah in government." said Mr Sabanci, Since being asked by the president last Friday to try to form a coalition, Mr Necmettin Erbahan, the Refah leader, has sought to calm fears about his party by saying he would respect democracy fully if given the chance to rule. AP, Ankara AP, Ankaro

Walesa urges fight for Gdansk

The former Solidarity leader, Mr Lech Walesa, said yesterday that workers should "fight like lions" against Polish government plans for the bankruptcy of Gdansk shipyard, cradle of the former east bloc's first free trade union.

Gazprom **Central bank attacks Yeltsin 'violation'**

Governor protests at forced transfer of \$1bn to help fund poll promises

By John Thornhill in Moscow

Russia's central bank vesterday protested that its independence had heen vio-lated after it was forced to transfer Rbs5,000bn (\$1bn) to the federal budget to help fund President Boris Yeltsin's preelection spending promises. Mr Sergei Dubinin, bank gov ernor, said the law adopted hy parliament last week instruct-ing the bank to transfer its 1994 profits to the federal budget jeopardised its independence and was potentially

inflationary. Coming less than a week "We are strongly convinced before presidential elections, this law contradicts the law on the central bank and the constitution," he said, adding that the bank planned of Russia's most unbiased to appeal to the constitutional court. government control. The acquisition by Gazprom, which has strongly hacked Russian President Boris Yelt-

Russia's central bank has struggled since Soviet times to establish its credibility as an independent institution.

Under Mr Dubinin's direction, the bank has significantly strengthened its reputation by defending the value of the rouble, limiting monetary growth, and helping to cut the monthly inflation rate to 1.6 per cent in May, its lowest level since

reforms began. One western economist said the inflationary impact of the bank transfer would be mini-



On the campaign trail: Yeltsin is handed a rifla during a Tatar festival at Arsk, near Kazan

means.

mal, but expressed concern about its political significance ahead of presidential elections on Sund "What kind of precedent are

yoo creating for the Communists if they win the elections? They can easily use it as a way of completely subverting the central bank's independence," the economist said. The dispute highlights the pressure that the government is under to finance Mr Yeltsin's lavish spending promises by non-inflationary Its financial plight has been said tax arrears in 1996

worseped by a slump in the government debt market, where annualised yields on three-month paper have risen to 149 per cent, and by a severe shortfall in tax revenues. Last week. Mr Yevgeny Yasin, economics minister,

responsible for the stability of the financial system," Mr Dubinin said.

Editorial Comment, Page 15

Dilemma of an instinctively red army

Russia's once all-powerful military is divided by the ballot, writes Matthew Kaminski

exile, saying be risked arrest M world " in the local Suami tongue, but the Arctic city is By this March, bowever, in by no means marginal. The formidable

Saither Artes

Russian and Checken negotiators Russian and Chechen negotiators yesterday signed a military agreement almed at ending the 18-month war in The agreement, signed by Mr Vyacheslav Mikhailov, nationalities minister, and Mr Aslan Maskhadov,

amounted to Rbs60,000bn as companies and individuals delayed payments, explaining the need to transfer the funds from the central bank. Mr Dubinin said the bank had issued Rbs13,000bn to the

government since the last week in May, of which Rbs8,000bn was potentially inflationary. However, he claimed the

bank had taken sufficient steps to neutralise its inflationary impact and would not breach the targets agreed with the International Monetary Fund, designed to cut monthly inflation to 1 per cent by the year-

Mr Sergei Aleksashenko, deputy governor, said the cen-tral bank had sold \$3bn of hard currency reserves to help soak up excess liquidity. The bank'a foreign exchange

reserves now stood at \$12.5bn, compared with \$16bn at the beginning of April, he said. The central bank has also moved to raise banks' reserve

10 requirements and suspended its Lombard credit auctions to

commercial banks. "I think the reaction of commercial banks will be quite negative, but we have to be

the ran up to Sunday's presidential ballot, the president of NTV had officially joined Mr Yeltsin's campaign team and the television station, which once infuriated the Kremlin with its graphic and critical coverage of the Chechen war, began to strongly tilt its broadcasts in the president's favour.

"This sale is a thank yon to NTV for participating in Mr Yeltsin's election campaign," satd Mr Sergei Markov, a political analyst at the Moscow-hased Carnegle Endowment for Democracy. "It is the public christening of an alliance between the old, ex-communist establishment. symbolised by Gazprom and the nouvenu riche new Russian establishment, symbolised by NTV."

Students of the hyzantine power plays within the Kremlin said the deal could be the first sign of an alliance between the oil and gas lobby, dominated by the prime minister and Gazprom, and the Moscow (inancial lobby, led by Mr Yuri Luzbkov, mayor of the capital city and closely linked with Mr Gusinsky and NTV.

Officials at NTV and at Gazprom said the sale was a commercial phrely transaction, aimed at financing the launch of 5 satelilte channels within the next year. They insisted Russia's corporate behemoth would not interfere in the television station's content.

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Northern Fleet is based on the Kola peninsula and Murmansk lies a few dozen kilometres from Russia's only border with a Nato country, Norway. "The Northern Fleet was the most

powerful set up in Russia, and now it's not even ready for battle," says Mr Pyotr Kortunov, who runs tha Kola Peninsula campaign of Mr Gennady Zyuganov, the Communist candidate in Russia's presidential election on Sunday,

Mr Kortunov blames President Boris Yeltsin.

"It was Yeltsin's strategy to weaken the state during the fight for power," he says.

Three times in the past five years the military has been critical in setting the course of Russian history - during the 1991 putsch, the storming of parliament two years later, and the war in Chechnya

It is possible that it will be so again either at the ballot box, or even after its contents are known.

The military is an unhappy constituency. Russia's estimated 1.5m to 1.7m servicemen are short of funds, arms, fuel and even clothes. Some conscripts in the Far East starved this winter. A nnclear submarine base near Murmansk had its alectricity cut off after failing to pay its bills, until the local commander sent armed troops to the power station. The messy war in Chechnvs has demoralised the troops and about 25,000 young men last year dodged the draft.

The president has responded to their discontent. His inner circle includes security hawks who emphasise stability that, in the end, the military can assure. Last month he tried a popular pitch: two decrees were signed, intended to phase out military conscription and set up a professional army in four years.

Making Russia strong again has been a salient campaign theme. "Yeltsin is playing the 'patriotic' card," says Mr Vasily Denisenko, the news editor at Murmansk's Polyarna Pravda, the local newspaper. "The western aid is needed. but Russia can't be a weak country All the other presidential aspirants

New recruits: how will they vote?

also pledge to restore the military's fortunes and to stop Nato's eastward expansion. Mr Zyuganov calls the army the core of the state". An Afghan war hero, General Alexander Lebed, has been among the most vocal opponents of the war in Chechnya and strong advocate of carrying out the longdelayed military reform.

"The Soviet authorities treated the military well," says Mr Kortunov. "The nation might have gone hungry at times and the cities became poor, but the army let our country be an independent and great power.

The presidential decree abolishing the draft is almed at young conscripts who come from across Russia - as well as at the mothers who daily picket the Murmansk administration denouncing the death of 14 local men who died in Chechnya.

The officer corps' loyalties are harder to gauge. "Every soldier, as in all the regions of Russia, has suffered," argues Mr Vladimir Pyrzh, the Northern Fleet's spokesman, "but the political steps taken by President Yeltsin will have an impact." So, too, might the promises of timely wages made last month by a visiting Mr Oleg Soskovets.

Chechnya, in a move which could give **Bussian President Boris Yeltsin a last**minute boost ahead of Sunday's presidential election, writes Chrystia Freeland in Moscow.

But the deal, which calls for the withdrawal of Russian troops by the end of August and the disarmament of Chechen separatist fighters, could be difficult to Implement. A ceasefire agreed last month in the Kremlin has already been breached by both sides.

To echieve yesterday's agreement, Rassian officials bowed to the Chechen demand that elections for a regional legislature, due to be held on Sunday, be postponed until after the Russian military withdrawal. That concession is likely to undermine Mr Doku Zavgayev, the republic's pro-Moscow president installed hy Russia last year, and could make it easier for separatist fighters to return to government posts if Russian forces are withdrawn.

the influential deputy prime minister. The army tends to vote conserva-tively. Indeed, the military's natural instincts are communist; uniformed officers are frequently present in tha crowds that greet Mr Zyuganov. In December's parliamentary vote they backed Mr Vladimir Zhirinovsky's Liberal Democratic party, which won the greatest share of votes in Severomorsk, the closed Northern Fleet headquarters up the road from Murmansk.

Mr Yuri Berger, deputy governor of Murmansk oblast and a Yeltsin supporter, calls the December result a "protest vote meant to show the government that the army is not getting enough financial support". Although campaigning on bases is illegal, he said he had visited many bases where the 150,000 servicemen, on top of a popula-tion of 1.1m, are stationed and predicted the army would vote "more seriously" this time - for Mr Yeltsin

What worries Mr Yeltsin's opposition is that the military may be *told* to vote for Mr Yeltsin. There was a loud unroar last week when Geoeral Pavel Grachev, the defence minister, claimed that all sailors who had voted early in the presidential election had backed Mr Yeltsin.

chief Chechen military commander. also calls for Russtan roadblocks around Chechen cities and towns to be removed by July 7 and establishes the procedures for the exchange of prisoners of war.

Analysts cautioned it might prove difficult to translate the agreement into real life, particularly after the June elections and the Kremlin's need to resolve the couflict has receded.

In the 10 days since last month's ceasefire formally went into effect, fighting between Chechen and Russian forces has continued. Even in Grozny, the Chechen capital which is far from the separatists' mountain strongholds, clasbes continued yesterday.

Chechen and Russian officials have not yet touched on the political status of Chechnya, which local separatists insist must be independent but which Moscow is determined to retain within the Russian federation.

There was already considerable concern about corruption in the election, not least that it would be most effective among the military. Observers believe that besides a

yearning for stability and fear over a potentially violent conflict, the top brass will vote for the president "out of a fear that Mr Zyuganov would purge the army of officers" who backed Mr Yeltsin during the 1993 storming of parliament

"Even if Zyuganov wins, he can't do anything that he promises, or he risks civil war," says Mr Berger, who opposed holding the elections.

Some Communists leaders are warn-ing that the president would use force to ignore a disappointing electoral verdict, and might again be counting on the military's support outside the polling station, as he has in the past

Yet many today are not sure which way the army would turn, given the poor conditions and low morale."Knowing the real situation in the armed forces, many generals are genuinely atraid of totally losing control of their own troops in an emergency," says a Russian military analyst.

Unions plan to occupy the yard, picket banks and halt public transport in Gdansk to protest at the leftwing government's proposals, which they fear will finish off the enterprise.

Mr Walesa, who in 1980 formed Solidarity there and subsequently became the nation's president, said he would : participate in whatever action the workers took. Mr Walesa earlier this year registered to resume his old job as an electrician at the yard, but he gave up the idea after parliament agreed to vote him a presidential pension.

At a shareholders' general meeting, the Polish treasury, controlling 60 per cent of the debt-ridden shipyard, effectively forced its management to file in court for bankruptcy. The privatisation minister, Mr Wieslaw Kaczmarek, a former communist, agreed to management proposals that a new company should first be set up with assets of the old, but set tough conditions which management and workers said Reuter, Gdansk crippled hopes for the future.

Parisians can hail London taxis

Parisians maddened by the refusal of their taxi drivers to carry more than three passengers may be in for a pleasant surprise. As of this week, London's distinctive black case have: gone on sale in the French capital after almost a decade of bureaucratic red-tape and business hitches.

Parisian versions of the FX4 London cab - priced af. FFr197,500 (\$38,000) apiece - will come with the steering wheel on the left and in a choice of six colours - but not black

London Taxis International, which only started targeting foreign markets relatively recently, has promoted its . distinctive vehicles on the basis that they are the world's only purpose built taxis, with space for five passengers and luggage as well as wheelchair access. Mr David Lea, the company's agent in France, claims to have received "overwhelming interest". He says he has been on a whirlwind round of media interviews since the vehicles were officially launched at the British Embassy last month. However, Mr Lea, who is having to restrict his marketing to Paris and its environs because of a restricted after-sales and service network, admits he has not Haig Simonian, London yet concluded a transaction.

ECONOMIC WATCH

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Spain's inflation edges down

Spain's rate of inflation Spanish producer prices slowed further in April, to 17 per cent year-on-year, from a Annual % change: 1.9 per cent annual increase in March. The producer price index (PPI) rose 0.2 per cent in April from the previous month, the national statistics institute (INE) said yesterday. Prices of chemical products and minerals not used for energy showed a decrease of 2 per cent in April from a year earlier. These prices rose 0.3 per cent in April from March. Chemicals had seen some of the steepest PPI year-on-year 1995 96 rises in recent months. Source: Datastream according to INE. Energy prices rose 1.5 per cent in April from the same month in 1995. and were np 0.8 per cent in April from March. Consumer goods prices increased 4.2 per cent in April from a year earlier and

AP, Madrid were up 0.2 per cent in April from March. French consumer prices rose a provisional 0.2 per cent in May after rising by the same rate in April. The year-on-year inflation rate was 2,4 per cent, also the same as in April. Norway's inflation rate was 1 per cent for the 12 months ending on May 15, unchanged from the annual rate reported for April and down from 2.7 per cent in May 1995.

17

Brussels plan for fish fleet cuts attacked over the next six years.

By Caroline Southey in Brussels

Ministers attacked the way the cuts had been calculated. The European Commission arguing no differentiation had faced beavy criticism yesterbeen made between older, less day from EU fisheries minisefficient vessels and modernters over its proposals that ised vessels capable of netting fleets for certain types of fish larger catches. They also should be cut by 40 per cent. argued one of the studies used A majority of member states as a basis for the proposals had turned on Mrs Emma Bonino, made no reference to industrial European commissioner for fishing. fisheries, who last month said Mr Sean Barrett, Irish fish-

entire fish species faced "hioeries minister, said any cuts logical collapse" unless fleet must "target fleets or segments sizes were cut dramatically of fleets exerting unsustainable proposals, adding Britain could

levels of effort". He argued not be expected to reduce fleet that "economic supports and social flanking measures" should be considered to "cushion the impact" of any cuts on fishing communities.

Mr Philippe Vasseur, French fishermen. agriculture and fisheries minister, said the proposals were "completely unacceptable". He said: "The future of some of our ports would be threatened.

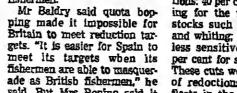
Mr Tony Baldry, British fisheries minister, also rejected the

solution if [they] insisted on sizes further unless the EU linking quota bopping with first tackled the problem of fleet cuts. There is no legal quota bopping: where non-Brit- connection," she said. ish fishermen have bought the

quota entitlement from Britisb said. But Mrs Bonino said it fleets in the present five-year would be impossible to "find a guidance programme.

Mrs Bonino has proposed three categories for fleet reductions: 40 per cent for those fishing for the most endangered stocks such as cod, haddock and whiting; 20-30 per cent for less sensitive stocks; and 12 per cant for stocks in balance. These cuts would come on top of redoctions in EU fishing

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FINANCIAL TIMES TUESDAY JUNE 11 1996 *

ovenia mo "De Benedetti Join the E to appeal over jail term

By Andrew Hill in Milan

And the second second second

Mr Carto De Benedetti. chairman and chief executive of Olivetti, the (talian information technology group, is to appeal one last time against the "unjust and unjustified" four-and-a-half-year jail sentence handed down yesterday. for his role in the collapse of Banco Ambrosiano 14 years

The sentence will be suspended awaiting the final/ appeal, which may not begin/ for another year. Advisers to Mr De Benedetti, who was hriefly deputy chairman of Banco Ambrosiano before its collapse, said yesterday that amnesties on jail terms meant the industrialist would not have to go to prison, even if the appeal to Italy's highest court failed.

They added that there would be no financial or legal consequences for the companies he heads, which include Olivetti and the two quoted Italian

holding companies, Cir and Cofide. The Milan appeals court reduced Mr De Benedetti's original sentence of six years and four months, handed down in 1992 for being an accessory to the fraudulent bankruptcy of Banco Ambrosiano, run by Mr Roberto Calvi, the financier found hanging under Blackfriars Bridge, in London, in Juna 1982.

The court also cut the sentences of other defendants/ Of the 33 people sentenced in 1992, 13 have already plea-bargained lower sentences and three have died. Mr Licio Gelli and Mr Umberto Ortolani, accused of manipulating the hank through the banned P2 Masonic lodge, had their sentences reduced to 12 years each. Both men will appeal. Mr De Benedetti, 61, is one of the few defendants of the original Ambrosiano case atill in

tha international limelight, although his reputation has also been dented by the unrelated admission three years focused on the stake in Banco

courage to make a distinction between my position and that of the other defendents" ago that Olivetti paid politicians for contracts, and the persistent losses of the computer manufacturer. Banco Ambrosiano collapsed in 1982 with \$1.3bn of debts, setting off a scandal which involved the Vatican and some of Italian finance's best-known names. Mr Calvi invited Mr De Benedetti to become deputy chairman in late 1981, a post the industrialist held for 65

November 1951 Callo Da

January 1982 Residue as

eon Ambrosseno engraban Roberto <u>Colv</u>i

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days, before he was forced out. The criminal cases have

Carlo De Benedetti: the case history

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July 1994 Former orma

Ambrosiano bought hy Mr De Benedetti just before he took on the joh, and sold to third parties just after his departure. The courts have so far upheld prosecutors' claims that the industrialist made an illegal profit on the sale. Mr De Benedetti said yester

day that in spite of "deep bitterness for this unjust and unjustified sentence, I continne to maintain the equanimity deriving from my firm belief that throughout this affair I have always acted properly

and transparently". He added: "Neither I nor my companies gained one lira, and neither did Banco Amhrosiano lose one lira on my exit from the bank." Earlier this year, Banco Ambrosiano's liquidators settled out of court with Mr De Benedetti to end a civil case in which they claimed the Olivatti chairman should reim-hurse some L80bn (\$51.6m) plus interest. Mr De Benedetti had won the case in the lower courts but both sides wanted to

Paris denies threat from welfare deficit

By David Buchan in Paris

The French government yesterday claimed its plans for European monetary union, tax restraint and welfare reform would not be pushed off course hy the official forecast that the cial security deficit will rise to FFr48.6bn (\$9.45bn) in 1996, or triple the FFr16.6bn target. The finance ministry said it would hold to its timetable of reducing the overall deficit to 4 per cent of national ontput this year. preparatory to a cut to 3 per cent next year, one of the criteria for qualifying for European monetary union. Scrambling to reassure pab-

lic opinion and the financial markets, Mr Hervé Gaymard, junior social security minister, told one radio station "there is no question" of any new welfare charges to plug the extra deficit.

Mr Jacques Barrot, social affairs minister, told another radio station "the French should he not discouraged from continuing the effort", which, he said, would require "endurance and persever-

Leaked several days in advance of its formal publica-

tion on Wednesday, the report year might therefore end up by the Social Accounts Comnot much more than FFr40bn which the government might try to deal with by enlarging the scope of its new tax-backed mission is not an indictment of Prime Minister Alain Jappé's controversial reforms to cut health, pension and Cades bond issue. family allowance spending

More worrying for the govfrom this year on. ernment is the comment by Mr Indeed, it says the Jnppé Jean Marmot, secretaryreforms look like being 85 per general of the Social Accounts Commission, in the report's introduction that "it would be cent successful in pruning spending hy some FFr31bn this year. But these savings Imprudent to coont on a will be wiped out by a big cor-rection to take account of past return to balance [of the health, pension and family family allowance apending, allowance achemes] from and hy an estimated FFr30bn 1997". That is precisely what the government is banking on to bring total public - hudget shortfall in receipts from payroll charges, depressed in line and welfare - deficits to 3 per with economic activity.

If the economy picks np in the second half of the year, cent next year. A fresh financial challenge recelpts should increase, Mr comes today with the govern-Barrot said yesterday, pointment announcement of how it ing out that a one percentage plans to relieve the SNCF state point increase in the national rail system of some of the wage hill brings FFr10bn extra crushing hurden of financing into the welfare system. The Unedic national unem-

infrastructure. The signs are that Mr Bernard Pons, transployment insurance scheme, port minister, will tell parliawhich is run separately by ment the state will increase employers and unions and not covered hy the Social Accounts from FFr13hn to FFr23hn a year its subsidy for track laying and maintenance, the Commission'a figures, is also responsibility for which will expected to show a FFr6-FFr7bn surplus this year. The shift from the SNCF to a new overall welfare deficit for the state structure.

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Ukraine voices economic optimism

lose fear of Islams

Mil Berry Ukraine yesterday opened · •. E fermienten ta talks with the International Monetary Fund on a new loan taxaate was programme at a time of grow-*** moder ing optimism that the country

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By Matthew Kaminski in Kiev

will soon see an end to five

The IMF will begin explor-

atory discussions on a three-

year loan package and pro-

gramme of structural reform.

scheduled to begin next year. It

will also assess whether

Ukraine has complied with the

conditions of the current \$900m

stand-by loan, which will be

disbursed in monthly tranches

The lowest registered

monthly inflation rate in

Ukraintan history, of 0.7 per

cent in May, and the continu-

ing strength of the karbovan-

until December.

years of economic decline.

ets currency, steady at around 185,000 to the dollar since last August, prompted government ministers at the weekend to declare that Ukraine's economy has turned the corner.

But growth remains stagnant and, economists only expect output to finally bottom out this year. Production fell 11.8 per cent in the first quarter, the biggest drop in the former Soviet Union.

There is also concern over the budget deficit. An IMF officlal said that the deficit is "close to the limit" agreed with the fund.

He also warned that low inflation might be merely sea-sonal, and cautioned Ukraine's "track record of stabilisation and low inflation is very short". Administrative price increases in July are likely to

Utrainian inflation Month on month % change in CPI 10 -



Dec'95 96 May Source: Litrainian Economic Trends

raise inflation again, However, Mr Victor Ynshchenko, the central bank governor, said no more money would be printed this year to cover the budget deficit, which, if true, would

put the target of 40 per cent annual inflation within reach. There have also been firm aignals from the new prime minister, Mr Pavlo Lazarenko. In his first speech, Mr Laza-renko at the weekend tried to dispel alarm among Ukrainian liberals about his commitment to reform. Mr Lazarenko said that, with inflation under control. privatisation and land reform would be his government's top priority.

If you think helping build a dam or bridge is incredible. try tearing down a wall.

Mr Lazarenko also indicated the cabinet would be reshuffled this week. The finance minister has been criticised for poor budget control. Reformist economics ministers are now expected to stay on, although the pro-western justice minister, Mr Serbel Holovaty, yesterday resigned. Mr Jeffrey Sachs, a Harvard

economist and a new adviser to the Kiev government, said Ukraine now needed a growth strategy that emphasised tax and bureaucratic reform to goad back domestic investors from the large ahadow economy. Ha critlcised the IMF programme as "unimaginative" for not lowering taxes and overhanling social spending.

propel a recovery, have failed to reorient to more lucrative western markets.

deficit the first two months of the year, according to the sta-

French economic magazine owner files for bankruptcy By Andrew Jack in Paris husiness magazines founded 1992 with a group of outside after the second world war, investors, but has long com-The financial troubles of

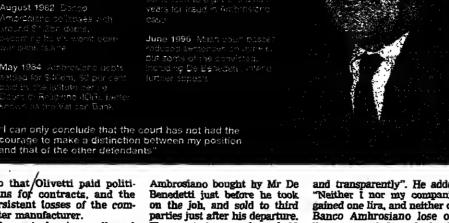
and grant the paper up to 35 per cent of the capital over the next five years. The action comes at a time of intense financial difficulties for the French press, in particular for the overcrowded business field, where there are three daily newspapers and

another seven magazines. Mr Nijdam took charge in

one owned hy the Hachette group and the other by Havas. Mr Nijdam has already gathered FFr10m from ontside backers and reached a co-operation agreement with the daily newspaper Le Monde, which includes a plan to move the magazine into its offices

plained about the absence of sufficient capital for the magazine, which has lost FFr120m in the last three years. He stresses that circulation has risen by more than 30,000 to just over 100,000 since he took charge, and believes Nouvel Economiste can break-even Under his latest plan in con-

junction with Le Monde, Mr Nijdam believes Nouvel Economiste could break even at the operational level in 1997. The bankruptcy indge is expected. to take charge of the magazine on Thursday, and will decide whether to accept his propos-



NEWS: EUROPE

ance" avoid a costly appeal.

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France's business press were highlighted yesterday when the publisher of the weekly He said exports, which could

Ukraine ran a \$553m trade

tistics ministry. Another potential hindrance to growth is persistently high interest rates. The estimated annualised real interest rate is 66 per cent.

magazine Nouvel Economiste filed for bankruptcy. Mr Henri Nijdam demanded protection from his creditors while maintaining his hope that a court-appointed administrator would pursue his rescue plan, including a further FFr7m (\$1.35m) in financial support.

Nouvel Economiste, loosely modelled on The Economist magazine to cover a mixture of business, politics and macroeconomic issnes, was formed by the merger in 1975 of two

with 120,000 readers.

als or seek to sell off assets.

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The fall of the Berlin Wall was more than the demolition of a historic concrete barrier. When Caterpillar equipment helped bring down the wall, it created new opportunities for expanding markets in Central Europe and around the world. In fact, a sizable chunk of the peace dividend is already

flowing into the U.S. economy.

The Commonwealth of Independent Statesthe former Soviet Union-purchased over \$100 million worth of Caterpillar equipment in 1995 alone.

With a worldwide reputation like ours, it's not

surprising. More than half of our \$15.5 billion in sales last year came from customers outside the United States.

But we manufactured more than three-quarters of our products in the U.S.

Caterpillar is known for the things we help build.

But one of the jobs we're proudest of is something we helped tear down.



NEWS: ASIA-PACIFIC

Corruption probe puts Import growth cuts Japan surplus Rao under pressure Import growth has been slightly exagpaced export growth of a mere 12 per By William Dawkins in Tokyo years

By Shiraz Skihva in New Dethi

Allegations of corruption against the family of Mr P.V. Narasimha Rao, leader of india's Congress party, are expected to cloud a parliamentary confidence vote in the coalition government which Congress is backing from the outside

The Central Bureau of Investigation, the federal government's police agency, said at the weekend that Mr P.V. Prabhakar Rao, Mr Rao's son, and Mr Sanjeeva Rao, the brother-in-law of another son of the former prime minister, had been named by a suspect in a \$40m urea import scandal.

The 13-party United Front of Mr H.D. Deve Gowda, the prime minister, remains likely to win the vote due today, but the debate preceding it is certain to allude to the corruption charges and embarrass the government, which depends on the votes of Congress MPs to

The allegations against Mr Rao may jeopardise his leaderhold the confidence vote ship of Congress, causing an

upbeaval in the party that has ruled India for all but four years since independence.

ned company.

said yesterday that his party

would press for a two-day

debate on the corruption issue,

which would force the house to

outcome of the confidence The bureau said Mr Samabavote, but could harm Congress. siva Rao, who worked for a company called Sai Krishna india's left-wing parties, Impex in Hyderabad - the capiwhich form an important part tal of Andhra Pradesh, Mr of the United Front alliance. Narasimha Rao's home state are pressing Mr Gowda to dishad claimed during interrogasociate himself from Mr Rao, tion that the Turkish company and to ensure that the cases aginst him are pursued with Karsan had bribed Mr Rao's relatives to win an order to supply 200,000 tonnes of urea The Communist Party of to National Fertiliser, a state-India (CPI) has demanded a

probe into the scandal, saying there would be no compromise on the issue "regardless of the Mr Rao has, through a government spokesman, denied any involvement in the kickimportant personages stated to be involved"

"This is precisely why we refused to be part of a govern-ment that involves the Con-The Hindu nationalist Bharatiya Janata party (BJP), which emerged the largest single party in general elections gress," said a senior MP from the rival Communist Party of India (Marxist), which, unlike in May but was unable to muster a majority in parliament, is expected to raise the issue. Mr the CPI, has chosen to support Jaswant Singh, deputy leader the United Front government of the BJP in the upper house, from the outside.

Mr Rao also faces charges that a regional party, the Jharkand Mukti Morcha, received bribes to help his government defeat a no-confidence motion

Japan's current account surplus in April was down 45 per cent on a year earlier, according to preliminary data from the finance ministry yesterday, but the pace of decline is widely expec-Mr Jaipal Reddy, the United Front spokesman, said the allegations would not affect ths ted to ease. The surplus has now been on the

retreat, with one interruption, for each of the past 18 months. This latest decline to Y555.2bn

(\$5.1bn) was slightly less steep than the market had expected. Many economists forecast the trend will slow in the next few months, as a weaker yen and US economic recovery lift exports.

Within the current account, Japan's merchandise trade surplus for April shrank to Y559bn, down 49 per cent on the same month last year.

Import growth of 45 per cent, driven by a recovering domestic economy, out-

cent

Export growth was constrained by the sudden slowdown in world demand for semiconductors, which has caused the Japanese electronics industry to scale back new investment in computer memory plants.

A sharp increase in tourism, where Japan recorded a Y254bn deficit, a record for April, pushed the overall goods and services account into the red. Trade in goods and services resulted in a small Y26hn deficit, the first in three months, a sharp swing from a Y652bn surplus in April last year.

However, Mr Russell Jones, chief economist at Lehman Brothers Japan, argues that the fall of more than 25 psr cent in the yen's value against the dollar over the past year has only just started to feed through to better export competitiveness

gerated when counted in depreciating yen, because three-quarters of imports

are denominated in appreciating foreign currency, mainly dollars, he adds. Only two-thirds of Japan's exports, by

contrast, are recorded in foreign currency. That should not obscure two impor-

tant structural changes which support a higher level of imports over the long term: a growing number of internationally-minded consumers and the shift of Japanese manufacturing output to for-eign plants, output of which is sold

back to Japan, Mr Jones added. Evidence of the scale of Japan's industrial exodus came in a separate finance ministry report yesterday. showing Japanese companies' direct investment abroad, including spending on new plant, equity and loans, rose 16 per cent in the 12 months to March to

Y4.957bn (\$45.3bn), the highest for four

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alfrica -

The US and Asia were the main focus, though Europe also achieved a small rise in its share of Japan's foreign spending

China was the fastest growing desti-nation for Japanese investment, up 61 per cent to Y432bn, nearly 9 per cent of the total.

The US was the second fastest growing destination, accounting for 44 per cent of Japan's foreign direct myestment last year, two percentage points more than in 1995. Total Japanese investment in the US rose by a fifth.

That was followed by Asia with 24 per cent of the total, a fractionally larger share than in 1995, beating Europe for the second year in a row. Europe's share rose by just over one

point to 17 per cent. Japan turns westwards. Page 14

Bank lowers rate as monetary fears ease

By Gerard Baker in Tokyo

Industrial Bank of Japan, the country's leading provider of long-term credit for industry. is to cut its prime lending rate by 0.3 percentage points to 3.3 per cent with effect from tomorrow The reduction in the rate,

the benchmark cost of borrow-

ing funds for one year or longer, is the first for six months, and reflects recent diminish ing expectations in bond markets of an early rise in official interest rates. The gradual revival in eco-nomic activity has been pushyear ing up yields in the bond mar-

ket throughout 1996. Lending rates are closely

Philippines: the revenue squeeze

tied to bond yields, and the long-term prime rate charged by Japan's three credit banks has also been drifting upwards. It rose to 3.6 per cent last month, np from 2.6 per cent at the beginning of the rate 0.9 points above the cou-

on on its new monthly issue of five-year debentures, one of In the past few weeks, market interest rate pressures have eased, as finance minisits main sources of fund-raising. The coupon rate is revised

try and central bank officials when the market yield on the have played down the prospect most recently issued debenof an early monetary tightenture deviates from its original ing. That paved the way for coupon rate by 0.2 percentage points or more. yesterday's cut. IBJ sets its prime lending

Long-Term Credit Bank of Japan and Nippon Credit Bank, the other banks in the sector, are expected to announce similar rate cuts in the next few days.

One-all in public battle to reform Philippine tax system

amila's wealthy have been given some-thing of a jolt over the past few days. The Philippine government, as part of its campaign to combat the country's notorious aversion to taxes, published a list of the country's top 1,000 taxpayers in leading newspapers last

The exercise - designed to embarrass people who were generally expected to be on the list but somehow managed not to enjoy the distinction - did not include the name of Mr Lucio Tan, one of the country's leading businessmen and chairman of Philippine Air-

Mr Tan, who, by coincidence also last week, defeated the government's plans to prose-cute him for allegedly evading 25.6bn pesos (US\$1bn) in taxes when the supreme court dismissed the case on a technicalwas not the only Chinese-

The newly built Gugo bridge north of Manila collapsed at the weekend as a 10-wheel lorry crossed It. The bridge was built to ease traffic in an area prone to floods caused by volcanic ash.

Congress, which went into tax structure but would also nies through shifting costs to of reform, say economists. rely raise more revenue than

Budget (Peso bn) 10 -- T Less privatisation proce 1967 88 89 92 93 94 91 come bax revenues (% of GDP Malaysis nh Kor ong Kong 0.84 Philipp

vided by privatisations for lis-The go

Seoul on European access to

S Korea awards

Other licences went to Anam, an electronics company, for a national trunked radi

telecom licences By John Burton in Seoul The LG group yesterday beat a Samsung-Hyundai alliance to win a coveted licence to operate South Korea's first personal communications service (PCS) State-run Korea Telecom and Hansol, the country's leading

paper company, also received licences to operate PCS networks, a low-cost alternative to cellular phones predicted to enjoy strong growth. The system is expected to attract 10m subscribers within five years after operations start in 1998. The three PCS licences were the most eagerly contested among the 27 awarded in seven telecom service sectors by the Ministry of Information and Communications. No foreign operators were allowed to bid for the licences, since international competition in telecom

services will not be permitted

Vacancy rate Velocity

106.0 107.8 109.4 105.5

105.8 106.0 106.3 107.0 107.6 107.5 108.9 109.4 109.0 109.1 108.8

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Korea's telecom equipment market ended in apparent stalemate last week, with Brussels threatening to complain to the World Trade Organisation

LG was awarded a PCS licence reserved for telecom equipment companies. But Samsung, another equipment maker, may gain a strong footbold in the PCS market because Hansol is a former subsidiary of the group,

Another potential barrier to foreign competition in the PCS equipment market is that the network will use the digital code division multiple access standard, now in operation only in Korea and Hong Kong. Korea's early acceptance of CDMA for cellular phones has given its telecoms makers a global headstart in producing CDMA equipment.

Filipino businessman who failed to make the list.

Of the six leading Chinese-Filipino "taipans", only one, Mr Alfonso Yuchengco, Philippine ambassador to Japan, was among the 1,000 published names. Now the list, which has been dominating dinner party chit-chat in Manila's upmarket condominiums, is to become an annual event.

The exercise has been a success," said Ms Liwayway Vinzons-Chato, head of the burean of internal revenue, the gov-ernment's tax collection body. "Not only have we set people gossiping about wby certain names are not on it but we have also created a certain snob value about being on the list. Some people are genuinely embarrassed to be excluded."

However, not everything has gone so well for the tax reformers. Government ministers yesterday said the high-profile campaign to push a tax mod-ernisation bill through congress was being undermined by "vested interests".

to carry out its pledge to enact the current system. the bill during this session, has watered down key revenueraising elements in the bill and looks set to push through a much-shorn version when It reconvenes in July.

lates that the shift to specific The tax bill is being excise taxes would raise an hijacked by wealthy business extra 6bn pesos a year or groups for their own puralmost half the expected 14bn poses," said Ms Mildwada Guepesos to come from the new vara, undersecretary at the tax system. department of finance, yester-The new system is intended day. "The poor and the nation to broaden and simplify the

at large who stand to benefit income tax system as well. from a modernised tax system do not have the resources to Government officials and some private sector economists counteract the lobbying efforts point ont that the compromise formula would maintain Mr Tan's Asia Brewery's tax advantage over its chief rival, San Miguel, which last year paid 6.8 per cent of all govern-

> Meanwhile, in the courts, government lawyers alleged that Mr Tan, who has lobbied congress heavily to preserve ths ad valorem tax, avoided paying 25.6bn pesos by under-declaring production costs at his beer and marketing compa-

iaries. Mr Tan, who success-The ad valorem tax, which fully contended that the government had breached his taxes 60 centavos for every one rights when it failed to give peso cost in the production him 30 days' notification before process, is widely seen as a investigating his tax affairs, denies the allegations. failure. The government calcu-

Tax officials say that Mr Tan's snpreme court victory casts legal doubt on the validity of more than 100 other tax evasion cases, including two against the family of the late dictator, former president Ferdinand Marcos.

"The supreme court decision will provide tax evaders a legal shelter for their criminal lighility." said the bureau of internal revenue in a statement last week. "Tax evaders should be published with the full force of the law and not rewarded through any form of technical exoneration

The growing list of set-backs for the government's tax collection drive and ths spectre of further retreat on the legislative front threaten to damp the government'a otherwise impressive record

ing to harmonise accounting

standards particularly for use

on stock markets. Mr Michael Sharpe, chairman of the Inter-

national Accounting Standards Committee, said yesterday China could take np membership by next summer.

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that increased tax revenues said ING Barings in a report would compensate for a decline in the proceeds from the privatisation programme. These have raised 172bn pesos so far, allowing a budget surplus last year of 10bn pesos, but are expected to drop from 45 per cent of non-tax revences in 1995 to 3 per cent in 1997. according to ING Barings, the investment subsidiary of the Dutch bank. "The breathing space pro-

E UNITED STATES

industrial productions

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entitled Facing np to a Fiscal ted to generate Won6.000bn Pinatubo, a reference to the (\$7.6bn) in sales, with the Philippine volcano that Won1.000bn for telecom operaerupted a few years ago. tors and Won5,000bn for tele-"Unless the reforms are imple-mented [in their original vercom equipment manufacturers. Participation of manufacturers such as LG in providing services should strengthen sion] the underlying weakness of the tax system will result in fiscal fallout with serious their control over the domestic implications for interest rates market, a subject of trade disand overall GDP growth." putes with the US and the European Union. Talks between the EU and

The new licences are expecservice, while a consortium led by the textile group Kohap is to become Korea's third international call operator. LG may be forced to give up

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management control of Dacom, another international call oper ator, as a condition for receiving the PCS licence. Other licences were awarded

for cordless phone services, wireless data transmissions, paging and telecom network

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Edward Luce

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail seles volume and industrial production plue all data for the vacancy rate indicator are in index form with 1985=100. Quanterly and monthly data for retail asies and industrial production show the percentage charge over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the corresponding indicator are end-period values.

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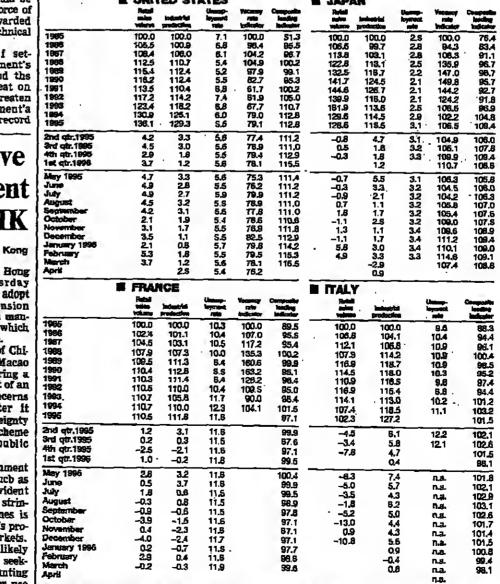
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of these powerful interests." The administration says its biggest headache is over con-gress's determination to dilute the clause which would abolish the ad valorem tax on beer and ment revenues. tobacco and replace it with a specific excise tax on retail prices. The current compromise proposal is a hybrid of the ad valorem and excise systems that some economists say not only complicates the bill that was supposed to simplify the



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All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail selies volume: data from national-gove acurces except Japan and fally (value series defaued by DECD using CP). Refers to total retail selies except France and italy (major cubies only) and Japan (department stores industrial production: data from national government sources, includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and users). Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing), gas, electricity and water supply industries except Japan (mining and manufacturing), and industries except Japan (mining and manufacturing), and industries except Japan (mining and manufacturing), gas, electricity and water supply industries except Japan (mining and unemployment) in citical sources. Vectorey relates industries for the different defaultors of unemployment attractions of activity. Exceptions in index from OECD series, US – help-schertising, Japan – new vacancies, Gentary and France – all jobs vacant, italy – ne data available, UK – unfilled vacancies. Composite leading indicatory OECD date. Ear

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FINANCIAL TIMES TUESDAY JUNE 11 1996

NEWS: INTERNATIONAL

Attacks put pressure Bank for International Settlements AGM in Basle **BIS considering expansion** on new Israeli PM By Gillian Tett in Basie

By Julian Ozanne in Jerusalem

Attecks egalnst Israelis by Arab guerrillas in Lebanon and the West Bank bave killed seven people and piled pres-sure on Mr Benjamin Netanyahu, incoming Israeli prime minister, who has promised to increase personal security.

The attacks, one by pro-fra-nian Hizbollah guerrillas in Israeli-occupied soothern Lebanon yesterday and the other by Palestinian extremists in the West Bank late on Sunday, sent strong signals to Mr Netanyahu about the potential for violence in the absence of an unfolding peace process embracing exchange of occupied land for peace. The attacks coincided with

an announcement from Egypt of an overwhelmingly positive response from Arab leaders to an invitation to a summit in Cairo on June 21 to co-ordinate a Middle East peace strategy to deal with Israel's new rightwing government.

The outgoing prime minister, Mr Shimon Peres, warned Hizhollah against escalating attacks in south Lebanon after its fighters killed five Israell soldiers in the worst incident since the end of Israel's April offensive. "Israel will respond in the manner it deems appropriate, at the right time and place, and warns Hizbollah not to continue to heat up the area et the expense of Lebanese civilians," Mr Peres said after holding emergency talks with

Mr Netanyahu. Israeli officials said the Hizbollah attack in southern Lebanon tested a US-sponsored ceasefire egreement. They accused Syrie, the dominant power in Lebanco, of giving the green light for the ettack to warn Mr Netanyahu about the kind of future Israel might

face if it turned eway from the Mr Haj Mahmoud Qoumati, a aenior Hizbollah official. warned of further attacks and said Mr Netanyahu'a policies

would return the Middle East to confrontation. The Hizbollah attack cama

sbortly after Arab gunmen killed two Jewish settlers on Sunday near Hebron, the West Bank town which has been a flash point of Arab-Jewish violence. Mr Freih Abu Meidan, Palestinian justice minister, warned that the West Bank attack might be the first sign of growing violence following Mr Netanyahu's election. "Now expect the unexpected in the area," be said. "If Mr Netanyahu and his government turn their back on the peace process... expect more violence." In Cairo Mr Amr Mousa, Egypt's foreign minister, said he expected 20 Arab leaders to attend the first full summit the Arabs bave managed to arrange since 1990.

The growing signs, at least on the surface, of Arab unity caused alarm in Israel and the US which has invested considerable resources in Middle East peacemaking.

tance, fearing that expanding membersbip too rapidly could threaten the group's informal atmosphere and The Bank for International Settlements is considering inviting fast growing sharply reduce the influence of existing countries in Asia and Latin America to members. join its ranks, in what would be the first significant expansion of the group

The debate in the BIS has been triggered by a recognition that the rapid growth of Asia is shifting the centre of economic gravity.

These changes have already provoked intense debate about expansion et the Organisation for Economic Co-operation and Development. The BIS is simi-larly aware that emerging markets are having a growing impact on financial markets. Lending to Asian countries last year, for example, reached record levels at \$84.3bn, and was an important factor in the broader rebound in inter-

national banking activity

The BIS has sought to cope with these trends by increasing the level of co-operation with these countries over the past year. With many of them present et the annual general meeting yesterday, Mr Wim Duisenberg, BIS president, said he hoped the process would continue.

However, some Asian countries accuse the BIS of remaining distinctly cantious over expansion.

The BIS, which was founded in 1930, has two main groups of members: G10 countries largely dominate the BIS board, but 22 other countries - including South Africa, Turkey and most east European nations – also own shares in the BIS and have voting rights.

Doisenberg: increasing co-operatio



'Feel bad' factor grips western world

BIS shows subtle change of tone by cautioning against both inflation and deflation

be western world is gripped by a lack of con-fidence and a "feel bad" factor that is unprecedented in for some decades." recent economic history, the Bank for International Settleworld's central bankers gath-

The discussion in the group, which

acts as an influential meeting point for the world's largest central banks, could

affect about a dozen countries, includ-

ing Singapore, Argentina and Mexico. However, the suggestion has proved

controversial within the BIS, which has

32 members at present, largely drawn from the European and western world.

In particular, some of the largest G7

countries are likely to put up stiff resis-

for 20 years.

ered in Basle for the BIS annual general meeting, marks e change of tone for the group. In receot years the BIS, which acts as a highly influential meeting point for the world's central banka, has

policy could be both expansion-"The forces bearing on the ary and restrictive - and called price level... are now more on policy makers to "resist balanced than they have been both inflation and deflation". The report, issued as the

This subtle change in tone may fuel market speculetion thet cectral banks might be slower to raise interest rates again in the next economic cycle. However, the BIS denied thet it was encouraging lax monetary policy, while Mr Wim Duisenberg, BIS president, warned that the "continuing bnoyancy of the US

Nevertheless, it admitted that some new deflationary factors were emerging in the world - namely increased global competition, wage flexi-

bility and continuing attempts to cut fiscal deficits. With these factors partly to blame for the "feel bad" problem, the BIS acknowledged that central bankers could do

economy" might pose an inflation risk in the future.

ger any recessionary jolts. meant that "the pattern of 1994" in the bond markets was unlikely to be repeated this

bonds reached an all time little themselves to boost sentirecord of \$313.2bn in 1995 - a ment. In the longer term, bow-13 per cent increase oo the preever, it argued that consumer vious year. International bank confidence should rebound. ing activity rebounded strongly in 1995, after dipping Ithough the timing of in 1994, the report said. the upturn in Europe was still uncertain,

Germany

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The finaocial system bad weathered the 1994 Mexican growth elsewbere in the world crisis well but the BIS insisted was healtby and the world that bankers still needed to markets were unlikely to trigstep up their surveillance of the financial system and col-In particular, low inflation lect more information about the global derivatives market, which it recently valued last year at some \$40,600bn.

It also warned the banking sector of "serious challenges that would force widespread restructuring, mergers and job losses. Branch oetworks would probably shrink, many banks would be merged, and the total number of private banks operating would need to fall consid-

year, Mr Duisenberg said.

been relatively calm."

"Major financial markets have

Total net financing through

euronotes and ioteroatiooal

erably Although Anglo-Saxon and Nordic countries had already sharply cut jobs, such countries as Japan. Germany and Italy had barely made any beadway yet in trimming their staff - which implied that job cuts would be needed in those countries soon.

lorea awan S Africa 'should reassign com licene unused mineral rights' Africa until we do this."

By Mark Ashurst in Johannesburg

South Africa could increase its coal exporting capacity by transferring the mineral rights for undeveloped coal reserves to new mining groups, according to a survey by the International Energy Agency published yesterday.

The survey will add to pres-sure from the ruling African National Congress for legislation enabling the rights to other undeveloped mineral reserves to be allocated to new companies.

"The principle is use it or lose it - and we want to do this for all mineral rights, not just coal," said Dr Paul Jourdan, special adviser at the Department of Trade and Industry. "This has always been the

policy of the ANC. Foreign investors have been saying they will not look at South

The most probable mechanism for encouraging the transfer was a tax on mineral rights that would be 100 per cent deductible in areas where prospecting was under way. Mr Devid Hall, analyst at ING Baring, warned that such

a tax should not be universally applied. There is a big difference between gold, where there is unlimited demand and the only factor is cost, and platinum, which is subject to demandand supply fundamentals. You can damage your own industry

by thinking that you are going to control it." The IEA, which is allied to the Organisation for Ecocomic Co-operation and Development and monitors oil and energy market trends on behalf of western industrialised countries, also cautioned that introducing competition to the tion".

electricity industry or privatising state-owned utility Eskom within the next five years could frustrate the national electrification programme. The government plans 2.5m connections to the national grid by 2000, raising electrification from about a third to 72 per

to "seriously consider" privat-ising Soekor, the state-owned oil and gas exploration and prospecting company,

sophisticated regulatory structure. The tradition of self-regusanctions era, when energy suppliers aspired to be self-sufficient, was "in urgent need of strengthening and modifica-

cits, it warned.

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cent of the population. But it urged the government

The survey recommended more stringent controls for the energy industry, but said the government did not have the capacity to implement a lation developed during the

ments said in its annual report vesterday. While growth in the US remained steady and the recovery in Japan was gathering pace, consumption had been dampeoed by job insecurity and the need to trim fiscal defi-Central bankers now needed

to consider the risks of falling prices as well as inflation in setting their monetary policy, it said. Price stability has been reached or nearly reached in a large number of countries.

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emphasised the need to combat inflation at all costs, and limited its analysis of labour market problems. But with central banks having heen accused in some coun-

tries of curhing growth in their zeal to control inflation, the BIS emphasised that mooetary

GDP growth and the output gap in the top three economies

Output gep (actual level of GDP r ative to trend - positive figures indicate excess demand) US 6 -_ 4 -2 -

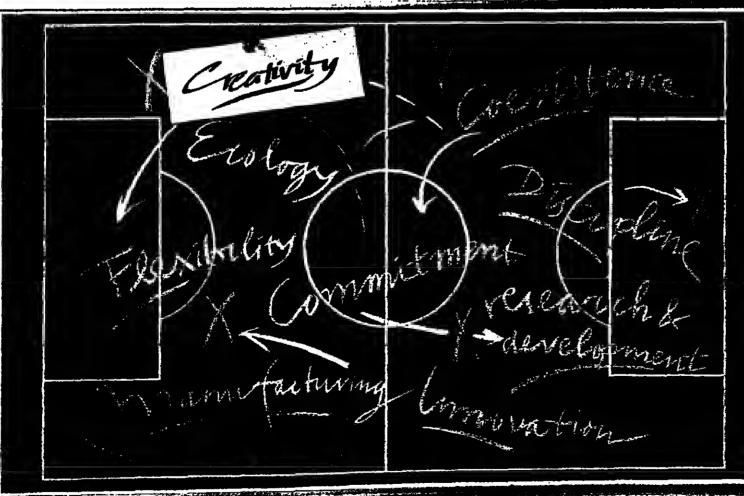
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OUR STRATEGY



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> TEAMWORK. NATURAL FLAIR PERFECTED BY PRACTICE. IT'S ALL PART OF OUR OVERALL APPROACH. TO HELP MAKE MAJOR SPORTING EVENTS LIKE EURO 96 RUN SMOOTHER. YOUR OFFICE TOO. SO ECOLOGY AND EFFICIENCY GO HAND IN HAND. PRODUCTIVITY LEADS TO MORE LEISURE TIME, PLEASURE AND PROFIT SHARE EQUAL RIGHTS. LIFE'S A GAME. AND EVERYONE CAN BE A WINNER. WITH THE RIGHT STRATEGY. OURS. AND YOURS.

SO, TOGETHER, LET'S CARE.

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NEWS: WORLD TRADE

Consortium wants to persuade Beijing to become a partner in developing 'super jumbo' **Airbus hoping for Chinese role in A3XX**

By Michael Skapinker Aerospace Correspondent

Airbus industrie intends to use its likely involvement in the development of a 100-seat Chinese jet to persuade China to become s partner in the A3XX, the European consortium's planned "super jumbo".

Airbus bopes to announce the launch of the 550-seat A3XX by the end of next year. The consortium says it needs the aircraft to counter the dominance which Boeing of the US

has over the large aircraft market. Boeing plans to begin developing a 500-seat version of its 747-400 this

Airbus has said, however, that its project will only go ahead if it can find Asian countries prepared to share development costs. Executives of the four companies which own Airbus - Aérospatiale of France. Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain - have put the cost of developing the A3XX at \$8bn

Airbus officials believe the consortium's improving relations with China offer it the opportunity of persuading the Chinese to become both partners in and eventual customers for the A3XX.

Airbus earlier this year defeated Boeing to win a \$1.5bn aircraft order from the Chinese, who decided to buy 30 Airbus A320s and three A340s. It was Airbus's first significant breakthrough in China, a market which has been dominated by Boeing. It is Airbus's likely participation in

the Chinese 100-seater, however, which European executives believe offers the best hope of involving China in the ASXX. The Chinese indicated in April that they were likely to award the contract to help develop the 100-seater to a consortium of European companies, rather than to

Boeing. The 100-seater would be built in China using western technology. Mr Zhu Yuli, head of Aviation Industries of China (Avic), signed an agreement to work together on the 100-seater with Aero International

Regional (Air), a company owned by Aérospatiale, BAe and Alenia of Italy. The Chinese have said, however, that they would like Airbus to manage the project. They want Dasa, which is not a member of Air but which is a leading partner in Airbus, to be included in the 100-seat project.

Airbus officials have told the Chinese they would like to involve them in other projects, including the A3XX. They have told Chinese officials the ASXX is likely to generate far higher profit margins than the 100-seaters.

By Robert Corzine

WORLD TRADE NEWS DIGEST

Australia plans freer skies

Australia's new federal government is to pursue a more liberal policy on air freight and charter flights, mainly to give exporters better access to Asia.

Mr John Sharp, transport minister, said new guidelines would aim at increasing the number of flights dedicated to freight. The government would seek bilateral deals with other countries and pursue a broader agreement through the Asia-Pacific Economic Co-operation (Apec) forum

Possible initiatives were removal of restrictions on third country freight operations flying the Australian route, and a freeing-up of the freight-charter approval process, where the air services were likely to carry Australian exports.

Easier guidelines for passenger charter traffic outside the main cities should also help tourism in regional centres, he Nikki Tait, Sydney

Egyptair to buy seven jets

Egypt's national sirline, EgyptAir, intends to buy four new Airbus jets and three Boeings after predictions of a big increase in profits this year. EgyptAir chairman Fahim Rayan said yesterday.

He said EgyptAir had ordered four Airbus 321s from the European company and had arranged a \$300m loan from European banks to finance the deal. The aircraft were

expected to be delivered in late 1997. The state airline had also signed a \$380m deal for three Boeing 777s to be delivered by the US manufacturer between May and August 1997.

EgyptAir expects a profit in the 1996-97 fiscal year totalling E298.6m (\$28.8m), up from E230m the previous fiscal year, he and AFP, Cairo

Carmakers eye Philippines

Fresh from failing to sway General Motors, the world's biggest carmaker, to locate its latest plant in the Philippines rather than Thailand, Ms Marita Jimenez, director for investments promotion at the country's Board of Investments, said GM, Pord and Chrysler were all thinking about making the Philippines the base for their automotive parts distribution operations.

Ms Jimenez said officials from the "big three" carmakers communicated their plans to a Philippine trade and investment mission on a recent US visit. She added the companies were also considering setting up local joint ventures to make car parts. The Philippine government has argued that low local costs and good communications mean the country offers advantages as a manufacturing base to service south-east Asia's booming car market. However, carmakers have been dissuaded by the small domestic car market Haig Simonian, Motor Industry Correspondent

Contracts

Tampella Power, the Finnish chemical recovery system supplier, has won a \$70m contract to supply two recovery boilers to the RT Rian Andalan chemical pulp in Sumatra, Andrew Taylor, Construction Correspondent

Kimberly-Clark of the US will jointly make and market consumer products in Israel after signing an agreement with American Israeli Paper Mills, it said yesterday, Kimberly-Clark will invest some \$50m to buy 49.8 per cent of Hogla, a wholly. owned subsidiary of AIPM. The new venture will be called Hogia-Kimberly Ltd and will be managed jointly by Kimberly AFX, Dallas Clark and AIPM.

Sakhalin I Power play raises stakes in chip trade oil project The world of semiconductors

Guy de Jonquières on international manoeuvring over the world market for semiconductors

late July. Washington wants

lectronics industry leaders often proclaim that the power of information technology is rendering national frontiers irrelevant. Yet their companies still find it hard to hreak free from national politics - particularly when vital business interests are at stake.

The gap between rhetoric and reality is illustrated by the intense international manoeuvring over arrangements for world trade in semiconductors. The issue has led to a complex power play - and open friction between policymakers and chip manufacturers in the US, Japan and Europe.

The imbroglio has become enmeshed with a separate plan by the three powers to seek a World Trade Organisation agreement this year to free trade in IT products. That may be hard to achieve until they settle their differences over semiconductors.

Sir Leon Brittan, Europe's trade commissioner, recently complained that the planned IT agreement was "stuck" because of US policy on semiconductor trade. He has threatened not to eliminate EU semiconductor tariffs - a crucial element in the planned IT accord - unless European chipmakers are guaranteed fair access to other, particularly Japanese, markets.

The main source of contention is the future of the US-Japan semiconductor trade agreement, which expires in is resisting. It says the deal amounts to "managed trade" because it sets numerical targets for foreign chip sales in Japan. Sir Leon has attacked the agreement as discriminatory. EU officials argue that because it was concluded under threat of US trade sanctions, Japanese chip users have favoured US suppliers over European

Some in the US industry believe the Japanese government's opposition to renewing the chip deal is softening. But other observers think the US is, in the end, more likely to

give way. Since the deal took effect in 1991, the US industry's share of the Japanese market has more than doubled to 19 per cent. With their worldwide order books bulging, US producers eem no longer to be pressing their government hard to take

a tough line with Japan. "Basically, the Japanese have won the argument over the bilateral agreement. They just have to sit there and do nothing," says an electronics industry lobbyist in Washing-However, Japan does not

seem to be taking things easy. At a meeting with European chipmakers last week, its industry proposed a World Semiconductor Council, which would promote co-operation between all the leading manu-

the accord renewed, but Tokyo South Korea and Taiwan. The Japanese have suggested that the scheme cover areas including technical co-operation between chip users and suppliers, standards, environment, safety and copyright pro-tection. They insist it should he based on frea trade and open markets and should not involve governments.

facturers, including those in

The proposal marks a shift by Japanese manufacturers, which had reacted coolly to an earlier EU proposal for a less ambitious industrial collaboration arrangement. They suspected this was a smokescreen for European attempts to secure a guaranteed share of the Japanese market.

Their change in attitude appears to reflect the influence of Japan's Ministry of International Trade and Industry (Miti), which, with the European Commission, was closely involved in preparing last week's talks.

iti officials believe multilateral co-operation could multilateral help deflect US trade pressure. Encouraging private sector co-operation would also give Japan's government another argument against foreign demands that it "organise" trade by intervening in the chip market.

But though broadly endorsed by the European companies, the proposal has been coolly received in the US. The US



Semiconductor Industry Association does not rule out discussing it eventually, but says it is "a distraction" designed to frustrate settlement of US-Japan trade issues. The US government and

industry are also refusing to involve the Europeans in any talks with Japan until the EU scraps its semiconductor tariffs. But European chipmakers are reluctant to abandon their trade protection while the US refusal stands.

Some in the US industry believe the EU is looking for an excuse to keep its tariffs the highest in the industrialised world - while trying to muscle in on the US-Japan agreement They and the Japanese

industry argue that feeble marketing, not trade discrimination, are to blame for European chinmakers' meagre 1.5 per cent share of Japan's market, where Korean and Taiwanese producers have captured an 8

per cent share in the past five Some industry observers remain optimistic that these differences can be overcome, and a global IT agreement concluded.

"Something will be worked ont. It's too soon to talk of breakdown," says Mr Greg Garcia of the American Electronics Association. But the only certainty is that if the wrangle is to be sorted

out, at least one of the protagonists will have to climb down.

company, says work is to begin soon on the \$15bn Sakhalin I oil and natural gas project in Russia's Far East region. The decision to start appraising the three offshore fields in the project was made despite the fact that Moscow still has to complete a legal framework for big international energy

Exxon, the largest US oil

developments in Russia. Exxon, which has a 30 per cent stake in the project - one of three planned in the area yesterday said a \$200m-\$300m appraisal programme would begin this summer. It will include a seismic survey of the fields, thought to contain 2.5bn barrels of oil and 15,000bn cu ft of natural gas. One appraisal well will also be drilled this

Exton said the Russian federal government and local authorities on Sakhalin Island had confirmed the terms of a previously negotiated produc-

ticular, provisions for the impartial arbitration of disputes, before committing billions of dollars to oil field development in Russia.

tion sharing agreement "are valid and enforceable". A number of western energy projects in Russia have been put on hold until after next week's presidential elections. Indonesia. Some international companies have said they also want to see the final version of production sharing legislation, and in par-

BUSINESS OPPORTUNITIES

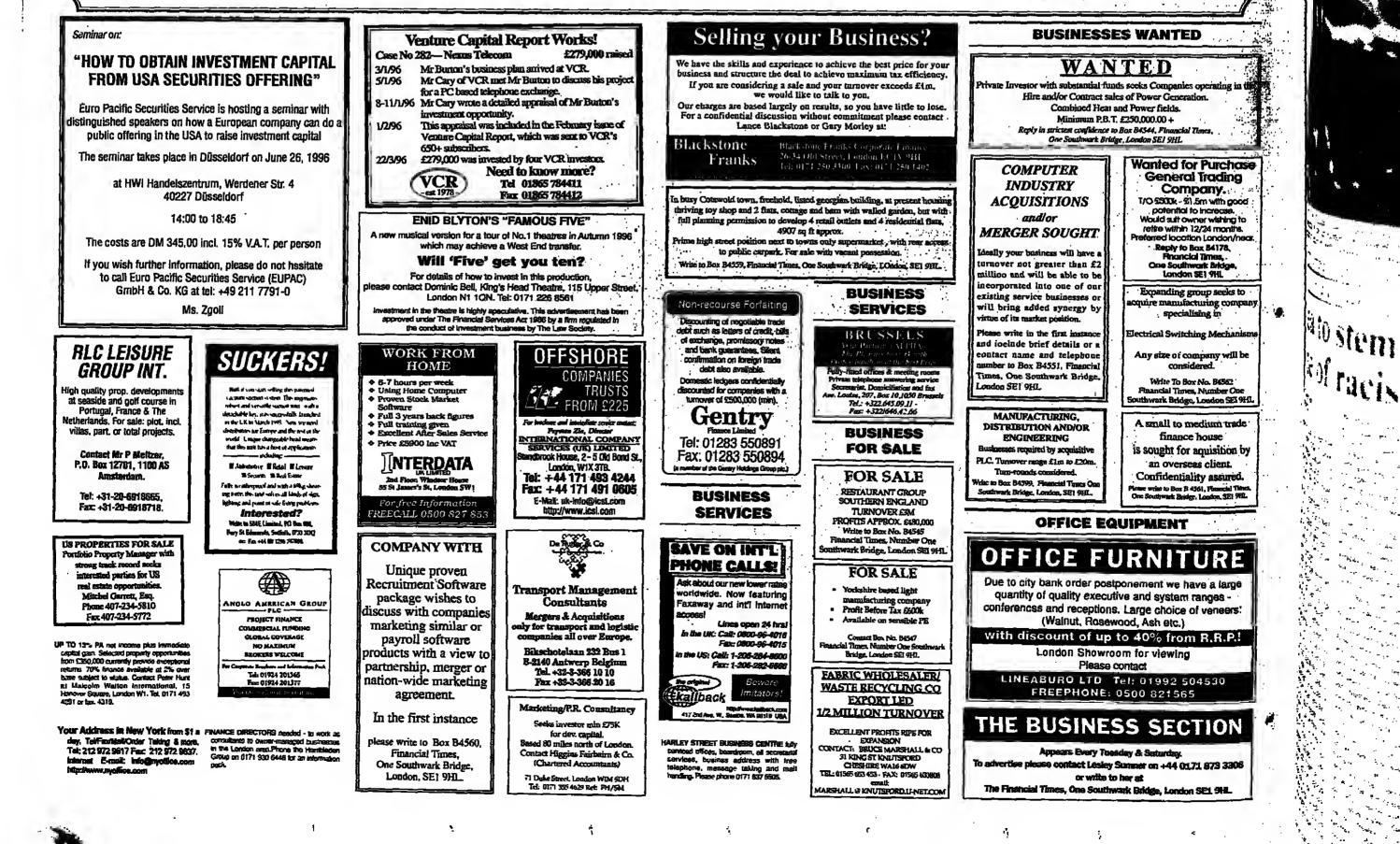
Melanie Miles 0171 873 3349

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Fax 0171 873 3064

Karl Loynton 0171 873 4874

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NEWS: THE AMERICAS

Warner in Virginia primary today Challenge to moderate **GOP** senator

By Jurek Martin, US Editor, in Washington

The long war for the hearts and minds of the Republican party in Virginia goes into another battle today, in the state primary election over the future of incumbent US senstor, Mr John Warner.

He is being challenged by Mr Jim Miller, the dour former budget director in President Ronald Reagan's White House, in a classic confrontation between religious and cultural conservatives on the one hand and establishment Republican moderates on the other.

The contest might be most significant in state terms but it has attracted more than its share of mational political luminaties, Senator Bob Dole the apparent Republican presiden-tial nominee, has campaigned on behalf of Mr Warner, as has retired General Colin Powell.

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Mr Miller has been able to field Mr Oliver North, of Iran-Contra notoriety, as well as Mr Ralph Reed and the Rev Pat Robertson of the Christian Coalition lobby. Mr North, now a rightwing talk show host on radio, defeated Mr Miller in the 1994 Republican senatorial primary before narrowly losing to Senator Chuck Robb in the general election for Virginla's other Senate seat The patrician Mr Warner,

first elected in 1978 and once married to Elizabeth Taylor, the film star, has long shown public contempt for the Christian conservatives who have come to dominate grass-roots organisations in the state Republican party.

That was most evident in 1994, when he said Mr North's involvement in the Iran-Contra affair rendered him aufit for

public office and then persuaded Mr Marshall Coleman, a former Republican lieuten ant-governor, to run as an independent candidate. Mr Coleman divided the conservative vote and helped put Mr Robb back in the Senate.

Two weekends ago, Mr Warner refused to turn up at the state party convention which officially nominated Mr Miller. But he had previously rendered the convention aca demic by invoking state party laws giving preference to any candidate who demands a fully fledged primary election. Mr North's speech st the

convention, accusing Senator Warner of a "blasphemous" and "unconscionable" betrayal two years ago, instantly transformed the current contest into a re-run of 1994. Mr Miller, who had himself called Mr North an unelectable "fraud" in their primary race, embraced his old adversary and promised to be his "friend for life".

The outcome may depend on the turn-out, especially in conaervative rural areas, where Mr Miller's support is strongest. Mr Warner has the clear edge in finance, and therefore in TV commercial exposure. Even Mr Reed, who has recently distanced himself from some dogmatic Christian conservatives on the issue of abortion, conceded it was "extremely difficult" to upset

an incumbent senator in a primary. Virginians can expect some confusion in November over names if Senator Warner prevalls today. Last week, the Democrats, having dispensed with a primary, held a convention and nominated another Mr Warper (Mark, a busine mam) as their candidate.

- /

Reforming Cuba builds a banking system It is still under the state, writes Pascal Fletcher, but is shaped by the island's changing financial needs

iscrestly, without fun-fare, Cuba is putting its banking and finanthe range of banking services which exist in most countries." cial sector through a modernisaid Mr José Julio Rodriguez, sing revolution. who until recently was a The reforms stop short of privice-president at the central bank, Banco Nacional de Cuba.

vatisation but they are the big-Now he heads the newly-cregest structural changes to the sector since the sweeping nationalisations of private and ated Grupo Nueva Banca, foreign banks that followed the 1959 revolution.

The establishment last month of a new Cuban bank, Banco Metropolitano, is the lat-Mr Ibrahim Ferredaz, Cübén förelen investment minister said yesterday, writes Stephen Fidler. est creation in a new configu-

ration of national banking and finance institutions, many about the effect of the US Heh Act, which sims to punish foreign compa-nies doing business in Cuba. sheady in place. These include commercial and investment banks, a currency exchange

to waive a clause in the law, Helms-Burton allows US citizens to sue foreign

pany. This expanded banking structure is designed to serve the needs of the new-look majority share in each institu-. Cuban economy, which now includes foreign companies and investment ventures. In addition, de-centralising reforms introduced since 1990 have created dozens of semistitutionomotis state firms dealoffering other services.

ing in convertible currency, a fledgling private sector of self-employed workers and a whole new generation of co-oppart of a government reshiftle

that we should be able to offer norrats. The bank restructure ing has gove shead regardless

tions in the Grupo Nueva. Branch 5078, which specialised Banca as "non-state" but he in providing convertible cur-

Only five or six joint ventures by Cubin and foreign companies tise property that was US-owned at the time of confiscation,

He was in London answering questions na Burton

Unless the US president ases his power

which will control through a declines to identify the precise

tion, the new grouping of Cuban banks and companies. These are assuming many credit and commercial activities previously carried out by the central bank, as well as

The main architect of the reforms is Culta's urbans central bank president, Mr Francisco Soberón, who took over the HNC in January 1995 as

All of these have generated that brought in several younger, reform-minded techdematid for wider banking and financial skills. "The idea is

of tougher economic satisficities against Cube introduced by Washington. Mr Soberon describes the new constellation of institu-

> companies "trafficking" in confluented property in Oule, regulates of when they became citizens. In practice, however, during a two-year period, only these who ware US nationals at the sine of the contheoriton may sue. Mr Periodes said jen-terilay that many more vertices involved property confiscated from Cubans who later became US chizens.

Mr Ferradez is the second Caban offcial in two weeks to visit Loudon. Lest week, Vice-President Carlos Lage was there during a secretive week-long tour of

funcy services to the foreign diplomatic corps in Cube, and, share structure. However, increasingly, to other overseas residents and foreign and given the communist government's undisguised distaste for privatisation, the new group-ing can be safely assumed to be firmly under efficial control. Cuben comparies. Bank officials said Banco Metropolitano world offer cur-The restructuring also

Metropolitimo would other cir-rency and deposit account facilities to Culture and for-eigners, as well as other "pri-vate banking" services, such as the possibility of investing funds to overseas fibancial htvolves a slimming down of the previous all-purpose cen-tral bank that was a pillar of the state-run economy during Cuba's membership of the Soviet-ied Comecon trading markets. The new bank's presi-dent is Mr. Ernesto Medina,

The new-look BNC will conalso formerly a semior BNC centrate, like most central official.

banks, on issuing ourrency, helping implement economic policy and overseeing the banking system. already in place under the Grupo Nueva Banca uninella include a commercial bank, the Banco Metropolitano is the

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Banco Internacional de Comerreincarnation of the contral bank's old International cio (Bicsa, established in 1994), the more recent Financiera Nacional (Finsa), which will offer mainly short-term financ-

European countries to discuss the US law. Diplomats said Mr Lege's Hinerary had included meetings in Cormany with Marcalas Henri, which has a growing busi-Ress selling vehicle engines to Cabe, in Italy with the telephone company Stet, and in London at the Trade and Industry

Department. Hr Perradaz, who will also visit Spata, said foreign investors were urging the Calisin government to accelerate foreign investment approvals: Officially, 290 such ventures have been approved.

ing to commentes to Cuba, and a growing network of foreign exclusive outlets rin by Cases de Cambio (Cadece).

A Cubin investment bank, Banco de Inversiones, is due to come into being pest month. Its aim will be to support investment on the island by providing medium. and long term finiticing for pro-jects, as well as offering invest-ment advice.

Among other entities planned is an agro-industrial and commercial batik, which will offer loans and other com-

Other new institutions mercial services through bratiches across the island pre-viously operated by the BNC. Corporate and personal loans will also be available from the 500 branches of the Banco Popular de Ahorro, an existing state savings bank set up in 1984

Also planned are a company to seminister assets and investments and, later, new insurance entities.

Mr Soberón, who brings to his job experience in international finance and shipping, is a believer in a cautioue approach and in suiting the reforms to Cuba's needs.

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Since taking office, he has travelled widely and met central bankers from across the world to learn from their experiences. He likes to quip that he gets offered "more advice than money".

Cuba's cautious approach is reflected in the government's attitude to foreign banks. Nearly a dozen overseas banks, mostly from Spain, Canada, the Netherlands and France, have representative offices in Cuba.

But the authorities, citing the need to develop and strengthen the Cuban banking sector first, have said they do not foresee the authorisation of full foreign bank branches in the near future.

"What makes this World Business Class so special?"

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erative ferms.

network and a finance com-



Association for the Advancement of Colored People, remains of a church in North Carolina at the weekend visits the Clergy complains about FBI over

spate of arson at black churches

Plea to stem US 'tide of racism'

By Patti Waldma in Washington

linisters of black US churches hit by a recent spate of arson attacks yesterday pleaded with administration officials to do more to stop what they called a "rising tide of racism" against black Americans. This came as US law enforcement officials announced they were holding three white men and a white juvenile in connection with recent burnines.

Two more churches were set ablaze on Sunday night in Texas. This took past 80 the number of the black places of worship burned, bombed or vandalised across the southern US since 1990, the pastors said. Fire officials investigating the Texan blazes said they believed these ware "acts of local vandalism" unrelated to other southern arson attacks.

The black churchmen wel-comed news of the arrests, but complained that the Federal Bureau of Investigation and the Treasury's Bureau of Alcohol, Tobacco and Firearms, the two federal entities charged with investigating the attacks, had not done enough to pursue white supremacist groups believed to be involved in the violence.

In separate meetings with

Ms Janet Reno, attorney-general, and Mr Robert Rubin, Treasury secretary, they claimed that federal agents were ignoring a racist cocspir-acy against black churches, focusing instead on investigating the black pastors and con-

gregations. They said black clergym had be n forced to take polygraph tests and congregation members had been intimidated and harassed in an attempt to blame the violence on internal divisions at the churche

After meeting the ministers, Mr Rubin said the administration was concerned about complaints that federal inves tors had acted improperly. "I have no doubt there have been instances of insensitivity," he said, adding that the administration would work to win the "We will not be satisfied

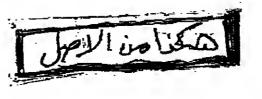
until [all] arson cases are solved and the perpetrators brought to justice," Mr Rubin said, echoing similar assurances at the weekend by President Bill Ciluton and Ms Reno. Mr Clinton made church burn-ing the subject of his weekly national radio address at the weekend, trying to demonstrate his concern for an issue which is raising high passion in the black community



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NORTHWE Worl B 4 5



Irish peace talks falter on first day

By John Kampfner, Chief Political Correspondent, in Rolfast

The most concerted attempt at a new settlement for Ulster since the partition of Ireland in the 1920s began inauspiciously yesterday as pro Britisb union-ists succeeded in delaying the appointment of an outside chairman and Sinn Fein scored a propaganda success by being excluded.

Mr John Major and Mr John Bruton, the two prime minis-ters, opened the all-party negotiations that are the culmination of years of effort with pleas to the participations to make the kind of compromises rarely seen in Northern freland's sectarian politics.

Yet, as the deadline for an IRA ceasefire passed, which would have allowed its political wing, Sinn Fein, to take its seat with the nine other par-nes, it had become clear that the initial proceedings inside the conference chamber would he overshadowed hy events outside.

Arriving in a black taxi at the bead of a cavalcade that had wound its way from the republican stronghold of the Falls Road to the seat of British rule at Stormont, Mr Gerry Adams, Sinn Féin president,

found himself and colleagues locked out of the gates. Mr Adams had shortly before

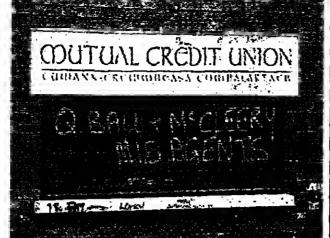
been preceded by the Reverend Ian Paisley, leader of the hardline Democratic Unionists, who had threatened to walk out of the talks if Mr George Mitchell, the former US senator, was confirmed as chairman.

Both governments made concerted attempts during the day to persuade Mr Paisley and the other unionist parties of Mr Mitchell's impartiality.

With little sign of a softening in the unionist position, the governments decided that as a contingency Sir Patrick Maybew. Northern Ireland secre-tary in the British government, should take charge of the opening session. The talks were adjourned after five hours with little sign of a resolution to differences over Mr Mitchell's role. They will resume this morning.

Both prime ministers, whose 1985 that formed the basis of the bilateral approach to pursuit of the negotiations has involved considerable political Ulster, to the announcement of risk, appealed to the parties for the negotiations had been accompanied by predictions of a constructive approach. Mr Bruton said: "This is not simfailure. Had he pinched himselt ply a political exercise. This is each time there had been a problem, "I would be black and an opportunity for all to put right a great wrong. That hlue from head to toe". Mr Major said,

wrong was violence, Mr Major said history would Yet the theatrical scenes not forgive those who forsook that accompanied Mr Adams's



Graffiti in Northern Ireland accusing terrorists of working for the British intelligence service MI5 are a reminder that mutual hatred persists on the streets amid efforts to find peace. The wall scrawl pictured here reflects a brutal feud in the small and extreme Irish National Liberation Army in which a man was shot dead on Sunday. He was the fifth victim killed in a shooting war which has split the INLA. The fend has been raging on after dispute about military tactics in the organisation last year.

the chance of forging a permaprocession exceeded the worst expectations of the govern-

nent and peaceful settlement. The people of the province, he said, were "sick and tired" of After being allowed from the gates of the Stormont estate to the entrenched positions of the the entrance of Castle Build-ings, where the talks were tak-Mr Major dismissed suggestions that the talks would founder. He said all the initiaing place, the Sinn Féin team found their way blocked again. A British government official informed them through a high tives of the past decade, from the Anglo-Irisb agreement of fence that the only talks on offer were with government officials and the reasons for their exclusion from the main proceedings. Mr Adams said Sinn Fein

today

had come to take its rightful place at talks and not to pro-test. Denouncing the "little pantomime", he said party representatives would return

Foreign minister wriggles through beef war barrage

By Lionel Barber in Luxembourg

NEWS: UK -

Mr Malcolm Rikfind, the UK foreign secretary, was savaged in Luxembourg yesterday. Fourteen European ministerial colleagues, furious at British blocking tactics in the "beef Maitland writes. war", launched an hour-long assault which would have left most ministers speechless.

Not Mr Rifkind. Minutes after his mugging, he appeared before nearly 100 journalists, insisting, with a familiar twinkle in his eye, that everything was going according to plan. With goodwill, a deal to end the crisis over the BSE disease looked possible in time for the European summit in Florence on June 21. Since Mr John Major, the

prime minister, announced the non co-operation policy last month, Mr Rifkind has become Britain's front-man sidelining the law. Mr Douglas Hogy, the media-shy agriculture minister. Mr Rifkind's goal is two-fold: to secure a deal for a step-by-step lifting of the EU's world-

wide ban on British beef exports, but also to minimise the diplomatic damage to Britain's cause in Europe. These twin policies require extraordinary contortions. In Luxembourg, Mr Rifkind was

asked to explain how Britain could lift its block on an EU trade and political pact with Algeria but hlock similar deals with Mexico and Canada, a close Commonwealth ally; or

The government has ordered an investigation into a rendering plant involved in the cattle top civil servants were too cull schema following critibusy at home. Yesterday, he cism of its practices by a leadacknowledged that the governing medical consultant and ment could have done better. local residents, Alison EU officials claim that Mr

Rifkind is convinced that the News of the investigation non co-operation policy has emerged as the UK govern-ment gave details of a 18m concentrated European minds. (\$9.12m) project to recall potentially infected feed from Without the British boycott, the EU might have kicked the ban on all British beef exports, thousands of farms by July 24 including derivatives such as as part of the anti-BSE effort. gelatine, tallow, and hull Concern abont discharge from the Canterbury Mills ren-dering plant in Kent has come semen, "into the long grass", one said. This flies against the views from Dr Alan Colchester, a of senior European Commisneurologist whn has been caring for five people from the county suffering from Crentzsion officials in Brussels who insist that the British boycott has needlessly complicated the beef crisis. Tellingly, Mr Riffeldt-Jakoh disease, the buman equivalent of BSE. The regulatory Environment Agency said kind conceded yesterday that "at some point" the EU would have lifted its ban on beef the plant was operating within

derivatives independent of the British work-to-rule. how he could block an EU dialogue with Syria and still make In the next week or so, Mr Rifkind can count on the Italtime to see the country's for-eign minister later in the afterian presidency and the Euro-pean Commission to help noon. Somehow, he managed to wriggle off the hook.

Britain reach a "framework" agreement on lifting the ban between the 15 heads of EU A former lawyer, Mr Rifkind knows all about mance. Last week, be insisted that a UK government, most likely at that Florence summit. But it will government eradication plan talking about the "cost" of require more British flexibility. slaughtering cattle had noth-Asked whether Britain was staging an orderly retreat in ing to do with money; it was simply a reference to the "cost the beef war, the foreign secreaffectiveness" of slaughtering tary bristled. But that is what potentially innocent herds. it looks like, whatever the min-A week ago, Mr Rifkind also isterial gloss.

on reform for share claimed that the British govissues rises ernment had not been able to present a full BSE eradication plan to EU pariners because By David Wighton

Pressure

The opposition Labour party is considering reform of sharebolders' pre-emption rights amid concern in industry and government that they increase the cost of capital for UK companies compared with international competitors

The pre-emption rules, which restrict companies' freedom to raise money by issuing new shares, are also set to come under the scrutiny of the government's deregulation task force, headed by Mr Fran-cis Maude, a former Treasury minister in the governing Conservative party.

With the Office of Fair Trading already investigating the underwriting commissions charged by the City for rights issues, some bankers believe that the pressure for reform is irresistible.

City institutions have signalled willingness to see reform of the system of fixed underwriting commissions. But most are determined to defend pre-emption rights. which require companies to offer virtually any new shares issued for cash to existing investors.

The institutions say that pre-emption rights are essential to prevent a company's existing investors having their boldings diluted and the UK's rights issue system provides the cheapest and most reliable method of equity fund raising. Mr Allstair Darling, Labour's spokesman on the City, said there were strong arguments on both sides and he had yet to reach a conclusion. "We are anxious that the cost of capital in this country ls competitive, but we also want to encourage stronger links between sbarebolders and the companies they own," he said. Some institutions have said that pre-emption rights help foster the relation-

Mr Maude, who is also a managing director of Morgan Stanley, the US investment bank, said the task force's investigation bad .been prompted by worries about UK companies' cost of capital.

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'The eyes of managers were trained in the wrong direction; the real enemies were not beyond but within the gates' Former World Service chief scorns restructuring at BBC

By Raymond Snoddy in London

Mr John Tusa, a former managing director of the BBC World Service, yesterday launched a violent attack on top management at the publicservice corporation for what he called the "biggest act of bureau-cratic vandalism against the World Service"

Mr Tusa, a respected broadcaster, was commenting on one of the most fundamental restructurings faced by the BBC in its 75-year history. The plan was produced hy Mr John Birt, director general of the BBC, with the help of consultants from McKinsey. and launched last week. "Once the World Service's main

clashes were with foreign dictator-ships and the [British] Foreign Office and Treasury in their more parsimonious moods," Mr Tusa wrote in the London daily, The Guardian. "But the eyes of the World Service managers . . . were trained in the wrong direction. The real enemies were not beyond the BBC; they were within the gates." Mr Tusa said he would never forgive those responsible or "understand those who permitted it to happen". port services.

The plan will break down all traditional harriers between radio and television, and radio will have no separate directorate with its own managing director. The BBC will instead be broken into functional units: BBC Broadcast, responsible for commissioning all programmes for radio and television, and BBC Production, which will produce all programmes. BBC News will be responsible for all news output throughout the organisation, and, as now, there will be a resources division to provide all technical and sup-

The World Service will still be able to commission its own programmes but BBC News will be responsible for making them under contract. "Once external services headship was a stepping stone to the director generalship ltself," Mr Tusa declared. "Now the World Service is relegated to the status of a subdivision of a division." He said the "conclusive downgrading" of the World Service was the climax of a three-year campaign against it. It emerged that Mr Birt consulted

none of his senior colleagues in advance of the corporation restruct-

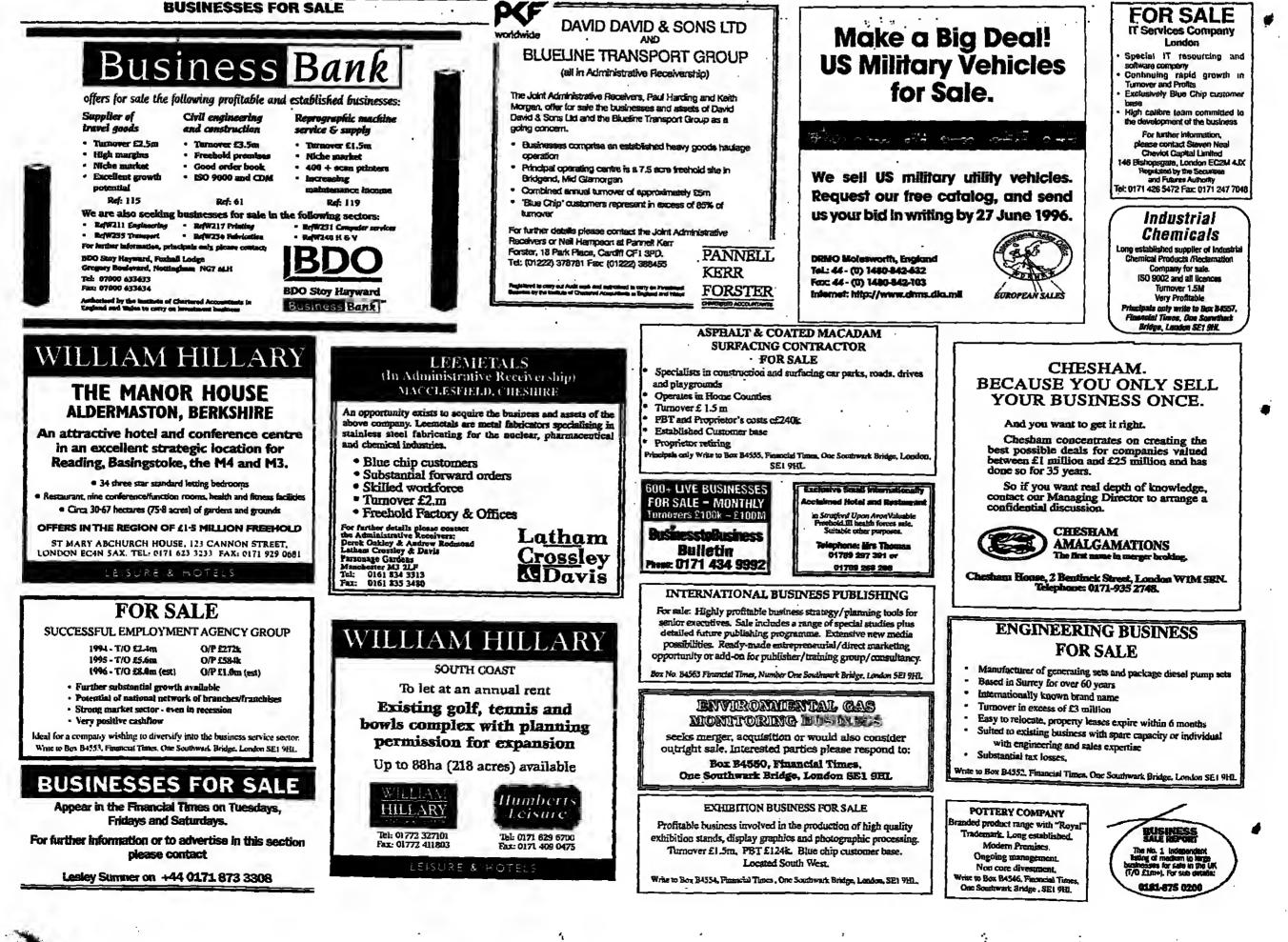
uring. The only other person who knew of the plan was Ms Margaret. Salmon, the BBC bead of personnel. She was informed because of the many new appointments that flowed from the decisions. Mr Bob Phillis, deputy director general of the BBC and chairman of BBC Worldwide, the international and commercial operation of the corporation, was told only days before the formal announcement as were other members of the board of management.

Many staff in BBC Radio in particular are devasted by what they fear will be the inevitable downgrading

of their medium. Although television like radio will no longer have its own directorate, radio staff nevertheless fear that they will lose the battle for resources. Mr Mark Tully, a former long

standing BBC correspondent in India, yesterday called for a national debate on the Birt plans and in particular the future of the World Service. "You cannot run the World Service without staff of its own from top to bottom who understand the difference between world broadcasting and domestic broadcasting," Mr

Tully said.



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SECOND-HAND TOBACCO SMOKE IN PERSPECTIVE

Life can't be free from risk. But you can decide which are the big ones.

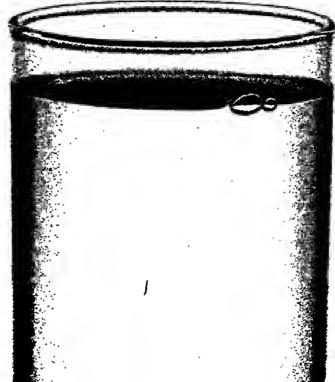
Almost every day, it seems that one thing or another has been discovered to be some kind of health risk.

In one scientific study, even drinking ordinary chlorinated water was linked to cancer.

But as common sense suggests (and scientists confirm) not everything described statistically as a risk is a meaningful risk.

For example, lots of people have been persuaded that second-hand tobacco smoke is harmful.

Not surprising, perhaps.



And this review put the risk of lung cancer from second-hand tobacco smoke at a level well below the risk reported by other studies for many everyday items and activities.

And below, in fact, the risk to health that one other study reported for drinking chlorinated water.

As the table below shows, many everyday activities have been statistically associated at one time or another with apparent risks to health.

But reputable scientists say that weak

BBC

And a second sec

After all, we recognise that smoking itself is a risk factor for certain human diseases and that some people find second-hand tobacco smoke unappealing and unpleasant.

But what about second-hand tobacco smoke? Is It really a meaningful health risk to people who've chosen not to smoke?

Not, we think, if you look at the evidence.

Associated wit

rith risi

Associated with reduced risk

The United States Environmental Protection Agency recently conducted a major review of studies on the risks of second-hand tobacco smoke to non-smokers. These studies typically Involve non-smokers living with smokers over a long period, such as 20 years.



associations aren't necessarily meaningful.

So there's no big campaign to persuade you to stop drinking chlorinated water.

Nor is there any sound justification for a campaign against second-hand tobacco smoke.

If you'd like to decide for yourself, please write to us at Phillp Morris Europe S.A., c/o P.O. Box 107, 1000 AC Amsterdam, The Netherlands or fax us on 00 31 20 671 98 89.

We'll send you the evidence about secondhand smoke.

We believe you'll find the case convincing.

Everyday Activitias	Reported Relative Risk*	Reported Health Effect,	Scientific Study Reference
Diet highest in saturated fat	6.14	Lung cancer	Journal of the National Cancer Institute, Vol. 85, p.1906 (1993)
Non-vegetarian v vegetarian diet	3.08	Heart disease	American Journal of Clinical Nutrition, Vol. 31, p. S191 (1978)
Frequently cooking with rapeseed oil	2.80	Lung cancer	International Journal of Cancer, Vol. 40, p. 604 (1987)
Drinking 1-2 glasses of whole milk per day	1.62	Lung cancer	International Journal of Cancer, Vol. 43, p. 608 (1989)
Eating one biscuit a day	1.49	Heart disease	Lancet, Vol. 341, p. 581 (1993)
Drinking chlorinated water		Rectal coucer	American Journal of Public Health, Vol. 62, p. 955 (1992)
Eating pepper frequently	1.30	Mortality	American Journal of Epidemiology, Vol. 119, p. 775 (1984)
Expessive to second-hand tobacco smoke	119	Long cancer	U.S. Environmental Protection Agency [1992]
High vegetable dist	0.37	Lung cancer	International Journal of Epidemiology, Vol. 25, Suppl.1, p. 32 (1996
High fruit dist	0.31	Lung cancer	American Journal of Epidemiology, Vol. 133, p. 683 (1991)

"Relative risk measures how much consuming, or being exposed to something, raises or lowers risk,

Philip Morris Europe S.A.

Second-hand tobacco smoke. Let's keep a sense of perspective.

CHARACTER CALIFIC VIEW

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Manufacturers

Caution surrounds start of nuclear sell-off

By Stefan Wagstyl and Simon Holberton in London

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The sale of British Energy, the noclear power company, was launched by the government yesterday with a cautious prospectus suggesting that it would raise far less than the £2.6bn (\$4bn) planned.

Drawing on the prospectus, City of London analysis estimated that the government may secure a total of only £2bn to £2.4bn from the sale and repayment of debt. The caution surrounding the offer reflects concern about possible future declines in electricity prices, the cost of decommissioning nuclear plants and their fuel, and the impact of a possible change in government on electricity regulation. Mr Tim Eggar, the industry minis-

Elf and BP to

open big plastics

plant in Scotland

DETAILS OF THE PLOTATION: The government is selling 700m shares, its total holding.

• Up to 335m shares are being reserved for British retail investors, who will be sold shares at a discount. The remaining stock, up to 610m shares, will be offered globally, and no discount will apply. The minimum

ter, declared the flotation a success and "a major milestone" in the gov-ermnent's privatisation programme. He added that 750,000 peopla had already registered their interest in the offer, which takes place next month. But the opposition Labour party warned that a future Labour government would re-examine the company's regulatory framework, and said

tryesiment will be 800 shares. • The first instalment in the UK public offer will be 100 pence a share with a minimum investment of £300 for 300 shares, The second will be be payable on aber 16 1997. THE EXPECTED TIMETABLE: June 26 - The discount for the UK

that the sale had been subsidised lieavily by taxpayers. While the prospectus did not give any figure for British Energy's stock market value, it revealed that the company was forecasting a form dividend in the year to March 1997, its first year as a privatised company. City analysis said that the shares were most unlikely to trade at a yield

public offer will be set and the full prospectos published.

July 4 - Bookbuilding begins for the international offer. July 10 - Close of UK public offer. July 12 - Close of international offer. July 15 . Pricing and silocation of

NEWS: UK

hares to be amnous July 15 - Dealings to start.

of below 7 per cent, giving a stock market value of just over £1.7bn. As the prospectus says, the government is also loading the company with debts of 2700m, which would give total proceeds of £2.40h. With a bigger yield, to take account

of the risks many investors attach to a nuclear business, the stock market value could fall to nearly £1.3bn,

which would give total proceeds of just over £2bn.

Most unusually for a new issue, British Energy is coming to market with a loss for its last year - \$155m me-tax for the period to the end of Match, after accounting for the effects of capital reorganisation. It also warms of a likely further loss in the current year. But it says that although it will not cover its dividend from earnings it will have sufficient cashflow to fund the payments, which will amount to 13.7p a share, net. There will be an offer for British retail investors and an international offer aimed at institutions. The price will be decided on the level of interest

in the international offer. Lex. Page 16

Industry's fuel and raw material costs fell aharply last Producer output prices month, prompting manufac-

turers to cut prices for tha first time in almost four years. Falling oil prices meant that industry's input costs dropped by a seasonally adjusted 0.5 per cent in May. This more than halved the annual rate of increase from 2.4 per cent to 1 per cent. The unexpectediy subdued costs came as weicome news to Mr Kenneth Clarke, the chancellor of the exchequer, who last week jus-tified his controversial quarter-point cut in UK interest rates by pointing to an easing

bigger rate of fall in company

insolvencies in the past two

years than western Europe as

of cost pressures. However, doubts about the wisdom of the rate cut were raised by a separate survey from the British Retail Consortium suggesting that consumer spending contin-ued accelerating in May. Robert Chote, Economics Editor

Insolvencies decline sharply Britain experienced a much

European Insolvencies % change 1994-95

UK NEWS DIGEST

Mution, annual % change

8.0 -

6.0 .

4.0

cut prices

1990 01 02 93 94 98 98

iource: CCN group

two-year period rose 41.8 per cent to 28,800 - two thirds of the UK figure even though Germany's economy is considerably bigger. In France corporate insolvencies also fell between 1993 and last year, by 9.4 per cent to 54,800. However the figure for France last year was the highest for all west European econo-Peter Marsh, London

Names demand meeting

Hardline Lloyd's of London Names have called LLOY D'S an extraordinary general meeting to demand substantial changes in the insurance market's recovery plan, due to be implemented this summer. The move is part of last-minute attempts to improve the benefits avai-abla under the plan. The EGM has been called by an unlikely alliance of militant litigating Names - and others who have paid all their losses and are still underwriting but nevertheless feel the deal is inadequate. The meeting will coincide with Lloyd's annual meeting on July 15. Even if passed, the motional will not be binding, but will give Lloyd's an additional head-**Ralph Atkins, Insurance Correspondent** ache,

By Jenny Luesby in London Appryl, a joint venture

between oil producers Elf Aquitaine and BP, will today announce a £100m (\$154m) investment in Grangemouth, Scotland, to build a polypropylene plant that will create up to 200 jobs.

Elf, which has a 51 per cent stake in the joint venture, said grant aid had been instrumental in the decision to invest in Grangemonth. The Scottish agencies would not reveal how much aid was involved, but confirmed that the investment had been won in competition with a site in the Netherlands, Construction of the Scottish plant will begin next year, with completion due in 1999. It will produce up to 300,000 tonnes a year of polypropylene, the tough plastic used to make car the past five years, and man-agement consultants Pieda bumpers and garden furniture. The \$22bn world market for activities in some way. The British government'a Department of Trade and industry is keen to attract polypropylene is growing at more than 5 per cent a year and has attracted several investments recently. Producers soch as Amoco, Dow, BASF, DSM and Borealts plan to add 3m tonnes of capacity in Europe in two years.

However, Mr Jacques Puechal, chairman of Elf Atochem. the chemicals arm of Elf Aqui-

investment banking arm of Germany's Deutsche Bank, taine, said he was uncon-cerned. Appryl, which already struck back yesterday after rival ING Barings sued over the alleged poaching of its Latin American equilities team, produces 400,000 tonnes of polypropylene a year at two eites in France, was more efficlent than three-quarters of its competitors, he said. our Banking Correspondent

estimate that 3.2 per cent of

now depend on the group's

In addition, the UK market "The ING Barings case is totally without marit and we shall defend our actions was poorly serviced. It con-sumed nearly 700,000 tonnes a year of polypropylene, but 560,000 tonnies of this was imported. The Appryl plant would save Britain £200m a year in imports, he said. vigorously," DMG said, while noting that it had not yet seen the suit. The dispute arose after DMG The plant will process prolitred more than 50 analysts, sales staff and traders from

claim

rejected

by bank

pylene already produced at Grangemouth by BP, but cur-rently shipped for export. BP has said it sims to make ING Barings in New York, Mexico, Chile, Brazil and Argentina Grangemouth Europe's largest The raid has taken DMG petrochemicals complex. It has from a niche rola to one of the invested £800m at the site in

top three traders to Latin American equities. Mr Hessei Lindenbergh, chief executive of ING Barings, has written a letter of protest to Mr Hilmar people employed in Scotland Kopper, head of DMG's parent. DMG has been at the centre of a furore in London over the rise in investment banking salaries, Competitors complain that, in its headlong rush to

chemical industry investment, build up its business, the German-owned bank has particularly to Teesside in north-east England. But analysts suggest that south-east offered recruits double their Scotland, linked to the Fortles previous year's pay package oil and gas pipeline system, is a more natural choice. guaranteed for three years. DMG contests the allegations.

BUSINESS FOR SALE

'Poaching' |Missile bid is upgraded by McDonnell Douglas

McDontiell Douglas has offered Demische Morean Grenfell, the the UK Ministry of Defence a newly developed fader-avoiding "stealth" weapon in an effort to win a £650m (\$990m) competition to supply Britain with cruise missiles. The wespons will be fired from fighter aircraft more than 800 km from their targets and are designed to hit command centres and communications bases

the existing Harpoon anti-ship weapon. However, the existing design was trailing behind other competitors, leading the US serospace giant to repack-age the missile's electronics and warbead inside a stealthy

are two main US contenders, the McDonnell GrandSlam and companies - including GEC. Lucas Aerospace and Hunting Engineering - which are con-



By Bernard Gray, Defence Correspondent

with accuracy. Previously McDonnell had offered the ministry a conven-tional cruise missile based on

airframe. A stealthy design is harder for defences to detect, which gives a missile a greater chance of surviving its flight. The move reflects increasingly tough competition for the UK cruise missile order. There Hughes AirHawk. Hughes has held the technical lead in US offerings, bot McDonnell has lined up a larger list of UK

The latest McDonnell offering to Britain's military chiefs tributing high technology work to its offer.

European missile industry. The BAe Matra Storm From Europe, British Aero-Shadow is currently the front space and Matra have offered runner for the compatition. While expensive, it is favourite the Storm Shadow development of the French Apache because it would cement the missile, while Daimler-Benz joint venture in missiles Aerospace has proposed an between the two companies. entirely new missile. As well as the technical merits of each France had been insisting on the UK ordering the Storm Shadow before approving the weapon, the UK defence minisproposed merger of BAe and Matra. While that condition try has examined how much of the technology will be openly available to the UK in each has been dropped. France is case, and how the order might continuing to press for the help rationalise the fragmented order.

a whole, according to research from CCN, the Nottinghambased credit and business information group. Corporate collapses in the UK fell 25.6 per cent between 1993 and last year. The comparable figure for the big west European economies was just 7.75 per cent. However, the 43,800 UK insoivencies last year represented more than a fifth of the European total. The high figure is explained by the reiative ease with which companies in the UK can be liquidated. German collanses in the

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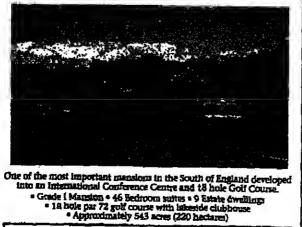
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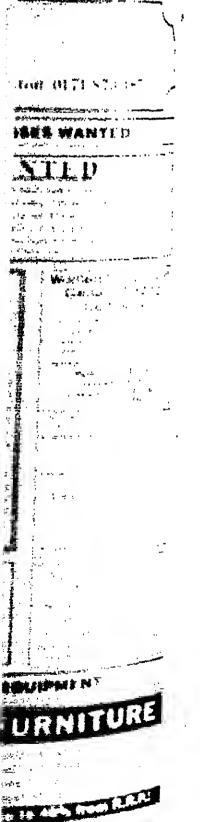
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12

"Infoterrorists" tap into computer networks to cut off electricity supplies in New York and Los Angeles. Hack-

REHIND ers disrupt commnnications among US THE NET military bases. Tax and social security records are mysteriously changed while electronic fund transfers between banks go astray.

These are not scenarios from the script of a Hollywood cyber-flick. They are the basis of serious "war game" exercises conducted by western military, law enforcement and intelligence officials as they explore the potential risks of "information warfare" and develop counter-measures. Twenty-six years after the US

Defence Department created the Internet as a communications system invulnerable even to a nuclear attack, the global web of computer networks is itself now viewed as a national security risk.

The increasing dependency of government agencies and businesses on networks of computers that support critical functions such as banking, communications, air traffic control and law enforcem together with the rapid growth of international access to the Internet, has created new and substantial vulnerabilities, senior US intelli-gence officials maintain.

Until recently, the concapt of "information warfare" has been widely dismissed as alarmist rhetoric and viewed as "post Cold War hysteria" generated by those with an interest in maintaining the vast US intelligence apparatus. But the potential use of computer networks to undermine public confidence, dis-rupt essential services, play havoc with the economy or damage military capabilities is now being taken seriously in Washington

Potential adversaries of the US in 120 countries are gathering information via the Internet about US Defence Department computer networks and developing methods of launching untraceable attacks to disable or compromise them, according to the US National Secu-

rity Agency. "We are rapidly getting to the point where we could conduct warfare by dumping the economic affairs of a nation [via computer networks]," US Senator John Glenn said last week in response to testlmony before a hearing on cyber security.

A series of hearings of the US Senate government affairs subcommittee on investigations is shedding new light on the secretive world of cybersples and hackers and is expanding public debate about regulation and policing of the Internet. According to computer security

experts, the Internet has increased

Assessing the risks of hacking in the corporate arena is even more difficult, largely because the attacks are almost always undetected and because companies are reluctant to admit that they have been victims of computer break-ins. A survey conducted by a few lead-

ing US computer security consultancies found losses of \$800m worldwide last year among clients in the banking and telecommunications industries, with half the losses in the US.

Yet FBI records show only one incident in which a US bank lost money due to a computer intrusion the much publicised 1994 attack on Citibank's cash management network by Russian backers who are alleged to have stolen about \$400.000.

The lack of solid evidence of computer security breaches presents a tricky problem for US lawmakers. "Without reliable threat assessment data we can neither conduct meaningful risk management, nor structure a coherent national response to this issue," says Senator Sam Nunn, the ranking minority member of the investigations subcommittee, who initiated the current hearings.

There is mounting pressure on Congress to strike a new balance between the rights of individuals and companies to maintain privacy versus national security concerns. This promises to be a fractious debate. The Clinton administration is already in conflict with software producers who want relaxation of export controls on encryption software. US intelligence agencies want to be able to conduct "wiretaps" on computer communications to catch criminals and terrorists, while businesses say they need encryption to get of hackers. "Hackers have stoprotect electronic commerce.

Encryption may be just one of many battlegrounds - othera len and destroyed sensitive data include: proposals for mandatory reporting of corporate computer intrusions and for exceptions to US laws that prohibit intelligence agencies from snooping on domestic communications; the forthcoming ruling by US courts on free speech on the Internet, in response to laws aimed at stopping distribution of pornographic material; and possible limits on information that marketers may gather and use about children who surf the Internet. Also, the Clinton administration is planning a rapid-response team to take charge in the event of a cyberterror-

ist attack. The net result may be a taming of the "Wild West" culture of the Internet. But it is not certain whether such measures will improve security or simply create new challenges for determined hackers

Precious articles in this series on the Internet appeared on April 6 and May 7.

Green light on the Internet

FINANCIAL TIMES TUESDAY JUNE 11 1996

Tom Foremski reports on new software to reduce traffic jams

he trouble with surfing on the Internet is that it can take a long time to get to the information you want. Once you find a web site, you often have to click through several levels to find the web page yon are looking for.

In a bid to make web surfing more efficient, California-based NetCarta says it has come up with a unique product that can cut the time users spend on-line and allow them to find the web pages they want more quickly. NetCarta's CyberPilot Pro uses

maps of web sites that users can browse through off-line and then connect directly to web pages of interest.

It is an example of a wave of generation Internet software that helps users find information, reducing traffic jams on the Net. These products include off-line web browsers that antomatically download web pages for users to view at a later time. Examples of off-line web browsers are FreeLoader from the US company of the same name and WebWhacker from Texas-based ForeFront Group. "CyberPilot Pro is a great way

to surf the net," says Laurent Seraphin, a project manager at US software developer Softway. "Instead of 20 to 30 clicks to get where yon want to go, I can see my destination on a NetCarta map. It is a far more efficient way of surfing and saves me a lot of

time. **CyberPilot Pro is a Windows** 95-based program that creates a map of a web site. It lists what kind of documents are available: text, graphics, andio and video files on a web site. Clicking on part of the map activates the user's web browser, such as Netscape Navigator, and takes the

user directly to that web page. "Internet users can save a lot of time because they get to the web page they want much more quickly. If you spend an hour on the Internet per day you can save 30 to 50 minutes," claims Tom

Tansy, a co-founder of NetCarta. A key feature of CyberPilot Pro is the ability to unleash a personal "spider" on to a web

site. Spiders are automatic programs used by the large Internet search services such as InfoSeek, AltaVista and Lycos. They roam the Internet, seeking out web sites and cataloging everything they find. That catalogue is then included in a

database that helps Internet user: find topics of interest. "We're the first company to come out with a personal spider that is well behaved and obeys all the robot protocols, and makes it difficult for the end user to create mischief on the Internet," says

But spiders are not popular among web masters, who complain that there are already too many roaming the Internet. "The mischief that could be caused is that somebody could unleash a spider on a site and bring it to its knees potentially. by tying up access. So we've gone to great lengths to make sure that people cannot do that," says Tansy.

Web masters can prevent a CyberPilot Pro spider from cataloging their web site by posting a NetCarta WebMap. When a CyberPilot Pro spider finds a WebMap, it suspends its operation and downloads the

CyberPilot Pro was created as a spin-off from NetCarta's web site development tools. "When we were showing our web tools last year, some people pointed out that it would be a great way to surf the Internet and that's how CyberPilot Pro was developed,"

says Tansy. CyberPilot Pro is available as a free evaluation version from NetCarta's web site at http:/ www.netcarta.com. Users will be asked to pay \$99 (£65) if they want to continue using the program. A Macintosh version will be available by mid-year.

With Internet users accustomed to free applications, such as the Netscape Navigator and Microsoft Explorer web browsers, will they pay for CyberPilot Pro? Tansy thinks they will: "Serious users, people that have serious jobs to do, absolutely. Otherwise how are we to stay in business?"

cyberterrorists security risks not only because it links tens of thousands of computestimate, more than \$3,000bn (£1,315bn) is moved via internaers but also because it has spawned tional wire transfers every day. Similarly, the US air traffic con-trol system is based on outdated widespread knowledge and interest in computer communications. By establishing standards for computer and sometimes unreliable - comlinks, the Internet has provided puters. This, however, makes them would-be computer attackers with a

standard target. Banks' computer networks which are used to transfer billions of dollars every day have, for example, typically been based on a mix of old and new communications protocols and computer operating systems. Knowledge of how these networks operate has been limited to a few technical experts, most of them bank employees. This is "security through obscurity" says the chief technology officer of one large US bank

But as banks convert their systems to modern internet standards, the number of hackers capable of attacking these networks is expanding.

The potential for disaster may be huge. The vast majority of transactions conducted by banks now flow through computer networks. By one

and software. They have installed 'back doors' into computer systems which allow them to surreptitiously regain entry . . . They have crashed entire systems and netrelatively invulnerable to intrusion. works," says Jack Brock, a GAO When the Federal Aviation Admindirector. "At a minimum these attacks are a multimillion-dollar istration npgrades the systems, as planned, "they will become more nuisance to Defence. At worst, they are a serious threat to national vulnerable", says Dan Gelber, counsel to the Senate subcommittee, security. Defence Department computers containing non-classified but sensiwho led an eight-month investigation of computer security issues. tive data were attacked approximately 250.000 times last year

"et the scope of possible threats posed by computer according to the Defence Informa-L attacks remains difficult to tion Systems Agency, a Pentagon measure, the Senate staff found. computer security force. In an esti-Even within most US government mated 160,000 of these incidents, hackers succeeded in penetrating departments there are few reports the computers. DISA performs "Red of computer break-ins and therefore few records of how often computer Teaming" attacks on Defence Department computers, using backer techniques, to test their vulnetworks are attacked and to what effect, says Gelber, Data from a report published last nerability. Of 38,000 attacks con-

month by the General Accounting ducted over the past three years, 65 Office, the investigative agency of per cent were successful. But only the US Congress, suggests that Penone ont of every 150 successful tagon computers are a frequent tarattacks was detected and reported.

Hackers' target: raids on computers at the US Pentagon are at best a costly nuisance and at worst a threat to national security Washington is worried that dependence on computers may become a security threat, says Louise Kehoe US squares up to

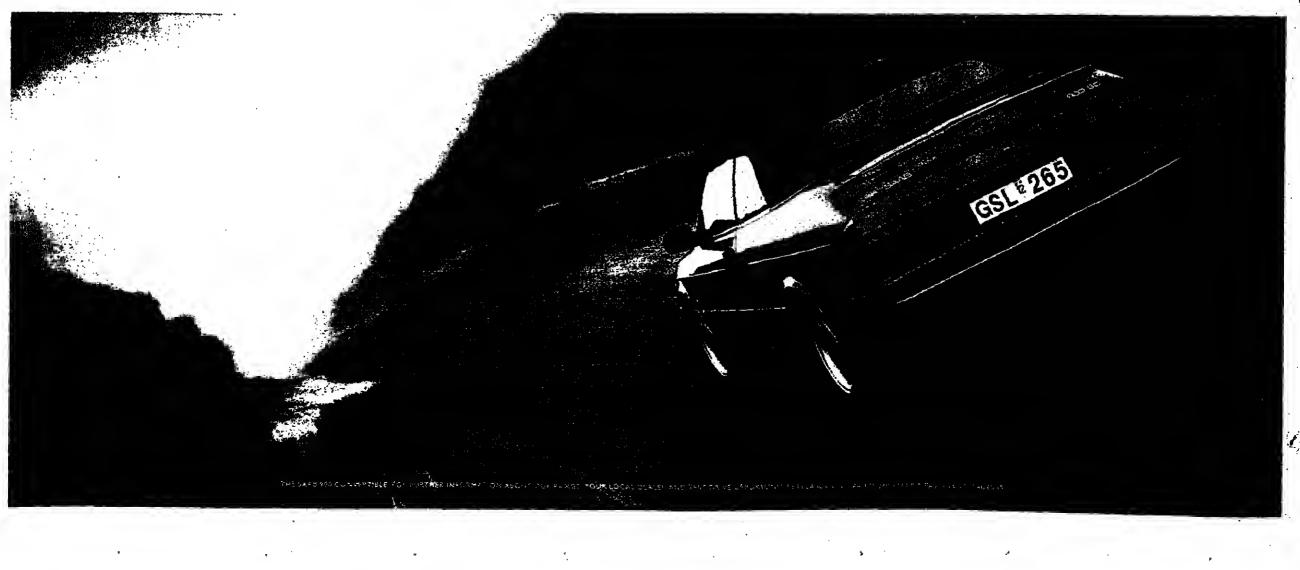
TECHNOLOGY



Most convertibles spend nine months of the year in jail. Not the Saab.



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The banal writ larger than life

William Packer reviews the work of Claes Oldenburg

bat Claes Old Drops placed on the spine enhurg says of flowed to one side or the himself and his work could mean anything: "I am for an art that imitates the human, that is comic . . . or violent, or whatever is necessary." Do artists always know what they are talking about? No more than the rest of us. I suppose, but whatever the case here, this one certainly takes himself

seriously. He calls his current retrospective an anthology, which in the dictionary is given in its primary meaning as "a collection of the flowers of verse, i.e.

small choice poems, especially epigrams ...", These visual epigrams fill the Hayward. The catalogue bas 575 pages, is nearly two inches thick, as big as breeze-block and weighs e ton. And it contains long criti-cal analyses by assorted schol-

"The object feels. This is the great discovery that Claes Oldenburg has introduced to Modern Art", declares Germano Celant, "These new feeling objects, presented as art, can no longer be understood as detached and impersonal rather, they have been imbued with sensuality and sexual-ity ... " Mark Rosenthal tells ity.. how Oldenburg once hired a group of gravediggers to dig a hole six foot by three, that was later filled in. "Entitled 'Placid Civil Monument', the aimple geometry of the empty rectangular hole makes for a power-ful formal statement, one that repeats Oldenburg's anti-war sentiments ... Not surprising for Oldeohurg, the hole in the ground has a sexual identity too ... " We learn that he "felt great excitement at the moment of first incision of the

shovel." Oldenhurg himself offers occasional comments on particnlar works. "I had found a way of painting the surface by dab-

is 49 this year and in August the Edinburgh turned to Britten, guaranteeing a sold-out house for The Rape Welles trying to impersonata imperfections of Beethoven's Snapshot of musical activities James Stewart. However, the memory, are recapitulated at Festival will he 50. present-day music critic in of Lucretia. Steuart Bedford length to no discernable end. Over the next couple of years was the expert conductor with whose household the great Moreover, cveryone's lines we can expect a spate of anniman suddenly materialises also sound like Ustinov. Joe Harmsa hand-picked selection of g weekeoa oi the is win birthday in Alan Ople. Then, after satir Henz instru entalists and a strong speaks in finely termed Ustiton's production plays noon tions set up in the days of opti-mism after the second world 49th festival provided a snap-shot of the artistic thinking has been unleashing from a style. With his various connecchamber-sized offering, the full cast of singers, including Jean novian sentences. He is the the smoothness and evenness Righy as a prondly defiant Lucretia, Thomas Allen as Tar-BBC Symphony Orchestra tions to the Britten circle and symphony orchestra in his sort of man who, when deliverof Ustinov's script rather than war reach their golden juhithat governs overall planning. long history of performances at assembled for the UK premiere later years and then have them ing what passes with him for a heart-to-heart speech to his either accentuating the few Aldeburgh, Henze is a natural quinius and Anthony Rolfe opened on Saturday morning of Appassionatamente, a ninewhisked away after a few minknots which remain or trying It is a measure of Aldeohuson colouring the text with an example of the occachoice. He is also a genial presminute orgy of sound, richly composer son, can casually to hint at those which have hurgh's will to survive that it sional celebrity appearance, a ence, happy to appear at the bolstered by saxophones and The problem, of course, is include the phrase "it is indeed deeply regretable ...". Decades with his usual eloquence as the been eradicated. A play has reached this far with the recital by Margaret Price, disall manner of tuned percusfestival's supporting events one of finance. The festival is Mala Chorus. Performed to this founded upon such divergent tinguished hy some exemplary sion, drawn from his recent offering a fairly broad selection ideals of its founders still more and still composing music of standard, a concert version of of pomposity have accrued temporal and cultural viewupon Stephen Fauldgate like so many rhetorical barnacles; importance (his new opara, Venus und Adonis, has its opera Das verratene Meer. Alongside these pieces we of ten Henze works, together with two films and a lecture, to Lieder singing in songs like Wolf's "Kennst du das Land", or less intact. As the child of the opera certainly has its points could be so much more Benjamin Britten, the festival place in a festival programme. than this. Like Pascal Fauldwas unusually reliant npon premiere in Munich next Janualso had a very brief sample of where the voice resisted the illustrate his life's output, but Having proven its ability to John Neville's skill at making gate's symphonies, it does not temptation it has these days to one man. When Britten died, it Colin Matthews, Busoni's Nocstay the course, Aldehurgh most of them are small-scale such utterances sound natural aspire to any magnitude. Ustislide marginally out-of-tune. Saturday evening's concert must now be planning for its is misplaced, as tt deflates the lost not only a great composer turne symphonique and Britand the most amhitious nov, like Pascal, may retort Then came music by this ten's song-cycle Our Hunting hut also the prestige with served to introduce his music, future. It needs money for (excerpts from a couple of the character'a insufferable self-rethat he writes for audiences. year's featured composer and the usual annual Britten which to draw international though only in amall helpings. Fathers, sung by an overparted operas) are out of necessity major productions, if the festigard. But audiences appreciate mag artists and andiences to a The Five Neapolitan Songs soprano, which were testament allocated to students from the val is to aspire to the same Beethoven blusters around nitude too, otherwise Beethfar-flung corner of East Anglia. Britten-Pears School. As its heights in the next 50 years (1956) - an appealing short to the commendably wide symrevival for a while, eating the Fauldoven would not be remembered For a few years the festival Hans Werner Henze was cycle that glows with the Italpathies of the conductor, Olicentrepiece, tha programme that it reached in the last, and gates out of house and home well enough to have inspired ian sun and manages to incorwobbled, but more recently it composer-in-residence in 1986 ver Knussen. But what we really asks for the whole of the anniversary in 1997 looks this play. and listening to his entire has settled into a position that and this year has the bonour porate traditional rhythms wanted to hear was more Henze. It is frustrating to be Das verratene Meer, which still as good a time to start as any. ocurre for the first time. He for the second time, coinciden-At Chichester Festival Theatre until July 21 (01243 781312). at least puts its security without sounding condescendawaits a UK staging, but ineviengages in debates about criti-cism and composing, offers a beyond doubt. tally allowing the festival to ing - were beautifully sung by tably the money is not there. Festival runs until June 23. offered a glimpse of the rich Soloists include Mewes, Conrad, Works on Paper from the Tempered Chair by Ron Arad; to Oct emphasis upon the innovative work conductor Dennis Russell Davies WORLD SERVICE Weltkunst Collection: exhibition of drawings, created by British Grabowski and George; 7pm; Jun of Glovanni Benedetto Castiglione; the Wiener Konzertchor and bass BBC for Europe can be OPERA to Jul 7 Simon Estes perform works by INTERNATIONAL received in western Europe sculptors in the 1980s and 90s. The **Royal Opera House - Covent** Beethoven, Zemlinsky and Schwertsik; 7.30pm; Jun 12 exhibits come from the Weltkunst Collection of British Sculpture and on medium wave 648 kHZ Garden Tel: 44-171-2129234 BERNE **NICE** (463m)ARTS Nabucco: by Verdi. Conducted Wiener Streichquartett. with CONCERT include Grenville Davey's "Eve". by Mark Elder and performed by the EXHIBITION pianist Jasminka Stancul, perform Casino Berne screenprints which use computer Royal Opera. Soloists include Sylvie Musée d'Art Moderne et d'Art works by Haydri, Mozart and Tel: 41-31-221446/311 1446 generated images, and works by Anish Kapoor, Richard Deacon, Valayre, Elena Zaremba, David Contemporaln Tel: 33-93 62 81 62 EUROPEAN CABLE Shostakovich; 7.30pm; Jun 12 **IID** Berner Symphonieorchester, with Maxwell Anderson and Timothy AND SATELLITE conductor Eliahu Inbal and violinist razeh Houshiary and others; to Robinson. Part of the Verdi Festival; Arte Povera: exhibition of works BUSINESS TV WASHINGTON Miriam Fried perform works by .ium 16 7.30pm; Jun 13, 15. by artists associated with the Italian Mozart and Bruckner, 8pm; Jun 13, (Central European Time) Arte Povera group. The display includes works by Alighiero e Boeti, EXHIBITION National Portrait Gallery GHENT MADRID Giovanni Anselmo, Pier Paolo Tel: 1-202-357-1915 MONDAY TO FRIDAY Calzolari, Luctano Fabro, Jannis OPERA CONCERT 1846: Portrait of the Nation; in BONN **MAMSTERDAM** De Vlaamse Opera NBC/Super Channel: Fundación Juan March Kounellis, Mario Merz, Guillo Paolini, celebration of the 150th anniversary OPERA Tel: 32-9-2230681 el: 34-1-4354240 Michelangelo Pistoletto and Gilberto of the founding of the Smithsonian La Fanciulla del West by Puccini. CONCERT Oper der Stadt Bonn Rafael Quero, José Antonio Institution, this exhibition describes the political, cultural and social Zorio: to Jun 16 07.00 Tel: 49-228-7281 Koninklijk Theater Carré Tel: 31-20-6226177 Conducted by Silvio Varviso and Campos and Alvaro P. Campos: the FT Business Moming I Barbiere di Siviglia: by Rossini. performed by De Vlaamse Opera. Soloists include Stephanie Friede, planist, violinist and cellist perform Beethoven's Trio In E flat major Op.70 No.1 and Trio In E flat major character of America in 1846 by PARIS Conducted by Renato Palumbo and Asko Ensembla: perform tocusing on the leading figures of 10.00 Stockhausen's Orchester-Finaliste performed by the Oper Bonn. William Stone and Richard Margison; DANCE the time. John Quincy Adams, Henry David Thoreau, Dorothea Dix, European Money Wheel (world premiere) and Talemusik. Part Soloists include Bruce Fowler and 8pm; Jun 13, 15 Op.70 No.2; 7.30pm; Jun 12 Théâtre National de l'Opéra -. Nonstop live coverage until of the Holland Festival: 8.15pm; Jun Carlos Alvarez: 8om: Jun 13, 14 **Opére Gamier** Brigham Young and others are 15.00 of European Tel: 33-1 42 66 50 22 business and the financial depicted through paintings, MUNICH markets Coppélia: a choreography by Bart after Saint-Léon to music by BRUSSELS sculpture, prints, silhouettes and LONDON DANCE daguerreotypes; to Aug 18 BERLIN EXHIBITION CONCERT 17.30 Nationalth Delibes, performed by the Ballet de EXHIBITION Musée Communal d'Ixelles Barbican Hall Tel: 44-171-6388891 Tel: 49-89-21851920 Financial Times Business l'Opéra National de Paris and the **ZURICH** Altes Museum Tel: 49-30-8301332 Tel: 32-2-5119084 London Symphony Orchestra: Bayerisches Staatsballet: perform Orchestre de l'Opéra National de Toniant Faszination der Antike. The with conductor André Previn and Balanchine's Concerto Barocco to Groeninge Collection: exhibitio OPERA Paris: 7.30om: Jun 12, 13, 14 George Ortiz Collection: exhibition of of works from this collection of soprano Kiri Te Kanawa perform music by J.S. Bach, Preljocaj's Der CNBC: **Opernhaus Zürich** more than 280 Egyptian, Greek, contemporary art, assembled over works by Haydri, Mozart and R. Feuervogel to music by Stravinsky Tel: 41-1-268 6666 TOKYO Roman and Byzantine objects from the past 10 years by a group of Belgian collectors. The collection Strauss; 7.30pm; Jun 13 08.30 and Martins' Feerful Symmetries Ivan Susanin: by Gilnka.... the George Ortiz Collection. Special EXHIBITION Som: Jun 12 CONCERT Squawk Box Conducted by Vladimir Fedoseyev emphasis is laid on the artistic Suntory Hall Tel: 81-3-35751001 Halle Orchestra: with conductor includes works by Richter, Design Museum and performed by the Oper Zürich. Panamarenko, Fabre, Frère, Carlier Tel: 44-171-3786055 developments in Greece from the 10.00 Soloists include lano Tamar, Comelia Kallisch, Matti Salminen NEW YORK Oursler, Keith Haring, Allan 100 Masterpieces. Furniture that Kent Nagang perform works by -European Money Wheel

It is easy to mock them thus at random, but do these people lack all sense of irony? I'm afraid they do. The pity is that much of the work itself, especially of recent years, has an intuitive wit and life to it that belies the heavy-handed justifi-Oldenhurg is now in his later

sixties. Never a brilliant draughtsman to judge by the weak self-portrait that opens the show, he first established himself with performance art, which was the avant-garde currency of the late 1950s and to which he still returns from time to time. From all the prop and costume-making and improvising with materials that went with it, it was a small step to the making of objects independent of performance, that yet drew similarly upon sources in popular cul-ture and domestic life for their

It was a step even so that placed him immediately at the centre of the American Pop-Art stage, where he has remained its definitive sculptor ever since. His trick was simply to take an everyday object -wash-basin, typewriter, dog-end, lavatory-pan - and at once to inflate its scale and change its physical material. With his sagging and flaccid objects, he achieved a genuine if momentary and fashionable frisson. A "Soft Toilet" of vinyl and kapok, a canvas "Baseball Bat"; here was not so much the Shock of the New as of the Banal.

These things of the 1960s now seem rather unpleasant in themselves and horribly dated, obvious and repetitive in the visual point they are making, arbitrary in their form as they flop or hang. Others are crude in the paint on their plaster or varnished paper surfaces, like nothing so much as discarded



ARTS

Work realised on a truly architectural scale: Claes Oldenburg's 'Mistos' ('Match Cover') in Barcelona

so many of his Pop-Art peers it could only remain in a sense remained, stuck with his single idea and its varied demonstration, he would now be, like them, no more than a specimen fixed in the quivering aspic of recent art history. Bot there has proved to be rather more to him than that. He has indeed kept consistently to his imagery of banality, and for as long as the work was con-

conceptual, a matter of proposals or projects. The commitment was not yet to the work as it was, and there were only the drawings or collages to show what it might be. But in the mid-1970s he took

his chance to move out of the gallery into the real world. Thereafter, realised on a truly architectural scale, the work became something else altogether, as diverting as ever but

all very well to propose a bottle as high as a house, a clothespeg tower, a pair of binoculars for an office block, or a giant shuttlecock in the park, but it is quite another thing to

bring it off. And it must be properly. made, the materials appropri-ate and safe, and the image adjusted, moderated and judgments have to be made, that begin to shift the image

away from merely literal suggestion towards the truly metanhorical

In short, it becomes some thing rather more than the mere demonstration of a clever and amusing idea. It become Art - and by now there are 27 such things on public sites around the world,

The Aldeburgh Festival/Richard Fairman he Aldeburgh Festival On Sunday, the festival

Opera/Andrew Clark An artificial 'Onegin'

The question crops up again and again in Yevgeny Onegin, which returned to Glyndebourne on a wave of midsummer heat on Friday. Vick's treatment of Tchaikovsky's "lyrical scenes" was much praised in 1994, when it was the first production designed for the larger theatre. This revival, directed hy Caroline Sharman with virtually the same cast, wears extremely

Vick turns to Pushkin for inspiration, as Tchaikovsky himself did. But he makes the mistake of viewing the whole opera through tha Byronicfrome lens with which Pushkin captured the artificial lifestyles of his time. Every scene, every character is presented at one remove, with a pedestal-like beauty that invites us to marvel at Vick'a cloying artfulness rather than the eloquence of Tchalkovsky's dramatic vision. The worst example is the St Petersburg ball, seen through the eyes of posturing society marlonettes and chopped up by much toing and froing of cur-tains. Many of Vick's other idees are similarly contrived. Tatyana dowses herself with water at the end of her Letter Scene, a moment of pure bathos to crown one of the most inspired fragments of operatic literatura; and although the final rejection scepe neatly mirrors its earlier counterpart, with Tatyana and Onegin back-to-back on chairs diagonally apart, it misses that

as Graham Vick crucial sense of love-and-de-become too clever spair with which the opera for his own good? should resonate. This is all too symptometic of a slow, unin-volving performance.

13

Nonetheless, there are passing pleasures - notably the Act 2 party, which starts and ends with Tatyana slumped, dolllike, out of sight of the merrymakers, and swirls into life with a wealth of eager choreography. Vick also deserves credit for allowing the music to tell the story of the duel. Here, as elsewhere, Richard Hudson's beige sets are a model of intelligently-lit simplicity.

Feted for his conducting of The Queen of Spades last sum-mer, Gennadi Rozhdestvensky returns with a matter-of-fact, business-as-Bolshoi Onegin, in which the music is largely left to play itself. None of tha voices comes across with much bloom, but the singers look their parts. In the casa of Wojciech Drabowicz's Onegin, period looks are not enough: he radiates neither condescension nor desperation. There is more flesh-and-blood in Elena Prokina's Tatyana, who develops in fits and starts in the Letter Scene and offers some rapturously soft singing. Martin Thompson's Lensky acts well and sings tastefully, despite the lack of a ringing top, while Frode Olsen makes handsome if vocally unexcep-tional Gremin. Sarah Connolly is the elegant Larina; the Olga and Filippyevna are disappointing.

Sponsored by Lehman

Theatre/Ian Shuttleworth

Beethoven's Tenth

t one point in Peter Ustinov'a play Ludwig van Besthoven, hav-Ling somehow returned to the modern world, offers a critique of a young composer's symphonies and dismisses them as shallow and insipid. It is a cheap shot to turn the same words upon Beethopen's Tenth, but unfortunately it

horrified account of contemp rary urban life and unites two couples: the Fauldgate parents are revivified after long-term atrophy and their son Pascal decides to leave home with the Austrian au pair. The old curmudgeon also inadvertently conjures up a clutch of ghosts from his own past, for reasons even less adequately explained than his appearance in the first place.

also happens to be true. Ustinov himself plays the German maestro and is imini-tably Ustinov, with all those vocal and physical quirks Class Oldenburg - an Anthol-ogy: Hayward Gallery, South Bank SE1, until August 18. Sponsored by GTECH. abstracted to accord with the greatly inflated scale. Certain Numerous ideas, both theing and dribbling diluted strained by the limitations of props for last term's Christmas matic and narrative, are brought into play, but all are covered with the same varnish black casein paint along the spine and sides of a plece. the gallery, no matter how Had Oldenburg remained, as large the particular statement, now properly serious. For it is which he has woven into his style both as actor and racon-teur - the only comparison I can think of would be Orson of well-crafted entertainment; they gloss nicely, but little else. Minor points, such as the



beginning of the Neolithic to the .

OPERA Komische Oper Tel: 49-30-202600 Die Zauberflöte: by Mozart. Conducted by Winfried Müller and performed by the Komische Oper and the Dresdner Kreuzchor.

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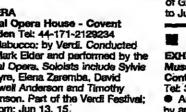
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twentieth-century furniture. Highlights include the zig-zag chair by Gent T. Rietveld, E1027 by Elleen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Brever and the Well

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EXHIBITION The Metropolitan Museum of Art. Tel: 1.212-879-5500 Genoese Drawings and Prints:

exhibition showing a selection of CONCERT approximately 110 drawings and prints by Genoese artists of the 16th to 18th century, with particular

Ades, Stravinsky and Berlioz; 7pm;

Jun 12

VIENNA

Musikverein Tel: 43-1-5058681

ORF-Symphonleorchester: with

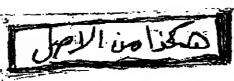
and Peter Straka; 7.30pm; Jun 12,

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COMMENT & ANALYSIS



14

Martin Wolf Japan looks to Asia

The US has forcefully demanded more open markets and smaller current account surpluses from the Japanese. They may come to regret their growing success

The principal US theme in its discourse with Japan over many years has been the latter's failure to live up to its international responsibilities. The Japanese bave been instructed to slim their trade surpluses, opeo their markets and expand domestic demand. Slowly and painfully, economic forces are compelling the Jepanese to do as they have been told. Will the US enjoy the

results? Probably not. First, it will lose the funds supplied by its most generous creditor. Second, it will confront an increasingly integrated and self-sufficient east Asian economy. Overall, it will find Japan and the rest of east Asia more difficult to push around. According to Asia Pacific Profiles 1996, from the Asia Pacific Economics Group of the Australian National University in Canberra, the curnated this time. rent account balance of east Asia as a whole will shrink from \$130.3bn in 1994 to \$106.5hn in 1995 and a mere \$73.2bn this year. More than the total of this surplus is being generated by Japan, since most of the other east Asian economies have gone into deficit. Remarkably, Japan generated 60 per cent of the world's net capital outflows last year, while the US absorbed as much as 45 per cent of the inflows.

Is the US grateful to Japan for financing the arms build-up of the 1980s and the investment of the 1990s? Far from it. Yet it is difficult to identify the barm Japanese capital exports have done the US. The direction of damage has been quite the reverse.

Americans have received real goods and services in return for the assets they have sold to the Japanese. As for the latter, by the end of 1994, they bad suffered paper foreign exchange losses of Y37,000bn on their net foreign investments between 1981 and 1994, according to the Nomura Research Institute. This was \$360bn or 28 per cent of their accumulated investment. When the yen touched 80 to

the dollar last April, the losses soared to \$720bn. Sncb huge losses are unlikely to be repeated, partly because the yen-dollar exchange rate is trading in a

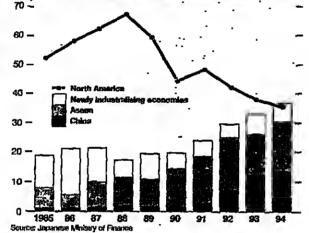
more realistic range. The surexchange rate. pluses have also been shrinking. From a peak of 3.3 per cent of gross domestic product in 1992, they fell to 2.1 per cent of GDP last year. The Ministry of Finance believes the current account surplus should fall below 2 per cent of GDP this year, perhaps to as little as 1% per cent. What is significant about tha fall in Japanese external surpluses is that it is not the

place capacity abroad, not result of unsustainable growth east in east Asia. Whatever happens to tha surplus in in demand, as was the case in the 1986-90 bubble years future years, Japanese markets are now nermanently when the current account surplus shrank, from 4 per cent to 1.3 per cent of GDP. On the more porous to competing imports than hitherto. contrary, demand bas stag-The metaphor once used by

Japanese economists to The shrinkage of the curdescribe the development of rent account surplus has been the antire east Asian region is driven, instead, by the real that of a flock of flying geese, with Japan at the bead. More appreciation of the yen. As the Bank for International Settleadvanced newly industrialisments notes in its annual ing economies - such as Hong report: "Since the recession Kong, Korea, Singapore and started in 1991, the total vol-Taiwan - replace what Japan ume of imported goods and used to produce; less advanced ones - such as Malaysia and services has increased by Thailand - replace the output almost 35 per cent even though domestic demand has of newly industrialising econogrown by only 2.5 per cent". If mies; and last come the

The lure of east Asia

ase foreign direct investment in manufacturing, by destination (96 share)



Japan were to sustain reason behemoths - Indonesia and, ably rapid growth in aggregate demand - a big if, for reasons above all, China

Japanese foreign direct explained in this column last investment is playing a cen-tral role in the smooth transiweek - the surplus might melt away, even at the present tion of comparative advantage among the dynamic east Asian economies. Thus, since 1988 As a matter of economic logic, a current account surthe share of Japanese foreign plus can shrink only if aggredirect investment in Asian

manufacturing has risen as gate output falls more (or grows less) than aggregate thet in north American prodemand. That is precisely duction has fallen. what the appreciation of the The reason for the change in yen has delivered. A particudirection seems clear. According to admittedly imperfect data from Japan's Ministry of larly important consequence of the squeeze on the profitability of manufacturing at International Trade and Indushome has been the decision to try, foreign direct investment in Asian manufacturing is more profitable than that in North America or Europe. Between 1991 and 1993, the ratio of operating profits to sales on Asian operations - at 4 per cent to 5 per cent - has even been a little higher than

on operations in Japan itself. By contrast, investments in north America and Europe have been a licence to lose or at least fail to make money, though this finding may bave been distorted by transfer pricing. As investment has been attracted towards east Asia, so has trade. Sixty-one per cent

of the increase in Japan's exports between 1985 and 1995 went to east Asian markets. In 1985, the share of Asian developing economies in Japan's exports was a mere 19 per cent, while 26 per cent of its imports then came from them. In 1995, by contrast, 40 per cent of Japanese exports went to these economies and 37 per cent of its imports originated within them. Japan's trade with the rest of east Asia is almost as large as its trade with the US and European Union combined. The share of manufactures

in total Japanese imports also rose to 60 per cent in 1995, from about 25 per cent a decade before. More than 40 per cent of Japan's manufactured imports come from east Asian economies. By the first half of 1995. 89 per cent of the calculators, 62 per cent of the colour televisions, 55 per cent

of the hair-dryers, 30 per cent of the copying machines and 28 per cent of the videocassette recorders bought in Japan were imported, mostly

from east Asia. Japanese foreign direct investment is also increasingly directed not at exports ontside the region, but at consumption within it. Thus it contributes to perhaps the most striking fact about the whole east Asian area - its growing self-sufficiency, with half of its total trade inside

the region. The pace of change in the Japanese economy must not be exaggerated, even though the direction is significant. Japan is likely to run a current account surplus for years ft could well rise again. Similarly, the ratio of Japan's imports of manufactures to GDP remains very low by the standards of other industrial economies. In 1994 only 8 per cent of the output of Japanese manufacturing companies was abroad, compared with 20 per cent for the US. But this was already up from 3 per cent in

1986. The Asia Pacific Econom ics Group argues it could be as much as 20 per cent by the turn of the millennium. The Japanese will have to answer some big questions. One is whether to promote a yen bloc. Another is how large (or small) a proportion of the domestic labour force can be credibly offered lifetime employment. Yet another is what to do with redundant domestic capacity. Perhaps the most fundamental is how to turn traditionally inward

looking Japanese businesses into true multinationals. Yet the US will also find these changes painful. It may have to compete for funds in a world without any significant Japanese exports of capital, It may also have to forego its complaints about Japan's trade policy. It will, in any case, find it more difficult to bully a Japan that sends 30 per cent of its exports to the US than it did a decade ago,

when that share was 40 per

cent. How well will it adjust?

Personal View · Henry I. Miller Left standing by the agricultural revolution mer than in pharmaceuticals. Groups from the US Con-

gress's research organisation

to the British journal Nonne

have condemned the EU approach. in 1993 the UK

House of Lords committee on

science and technology said

the EU imposed UK regulation

of hiotechnology was "exces-

sively precautionary, obsoles-

Flying in the face of the sci-

entific consensus, EU regula-

tion continues to cast a veil of

suspicion over biotechnology

by requiring case-by-case gov-

ments for most field testing

with gene-spliced plants. By contrast, plants with sim-

ilar or identical traits that

were created with less precise

techniques, such as hybridisa-

tion or mutagenesis (treatment

by radiation or chemicals to

induce mutations), are aubject

crosses", hybridisations which

move genes from one species

across natural breeding bound-

George Orwell was right to

say it requires a constant

struggle to see what is in front

of one's nose - a struggle that

the European enviro-crats have

been losing. EU environmental

their primary goal the mainte-

nance of a large, centralised

European parliamentarians

ernment environmental assess

cent and unscientific".

The European Union should revise its heavy-handed regulation of the biotech industry .

Biotechnology applied to agriculture is beginning to yield all man-ner of most ner of prodncts, including fruits and vegetables that are diseaseresistant, more nutritious and can grow with less chemicals. We may see an agricultural revolution in much of the world during the next decade. But not in Europe. Six years after the European

Union's establishment of directives on biotechnology, its member countries continue to struggle with their implemento no government scrutiny -and no publicity. That applies tation. The directives, hastily published in 1990, ostensibly in even to the many new plant varieties resulting from "wide response to fears about the dangers of genetic engineering. strictly regulate the use of genetically manipulated organor genus to another - that is. isms in the laboratory, in the factory and in field trials. aries.

The problem with the EU's rules - as scientists from the Organisation for Economic **Co-operation and Development** and other bodies quickly pointed out - is that they nar-rowly define "genetically regulators seem to have as manipulated organisms" as those modified by modern gene-splicing techniques. They ignore those produced by tradiand unnecessary bureaucracy tional methods, for example by for the case-by-case evaluation breeding hybrids.

of field trials of genetically So the full weight of regulamanipulated organisms. Although they have now tion falls on plants and microorganisms produced by a parremoved some field trials from ticular technique, rather than on those produced by whatever the regulatory net, the EU's approach - subjecting products method that might actually be to regulation on the basis of dangerous - because they are the technique used to produce toxic, for example, or because them - is flawed. And bad science makes for bad regulation. they might spread out of control. In fact, the techniques of biotechnology are more precise and regulators have recently and yield a more predictable begun to taste the bitter fruits and safer organism,

of what they have sown. Sev-eral hundred people attended a And the rules markedly increase the costs, the paperbiotechnology "brainstorming" session in Brussels in January. work and the time required for The meeting was an informal research. This is a particular impediment in agriculture. conclave of various European institutions, including the where profit margins are slim-

allowed to operate in this way.

My second point is that,

approach, at least there the

All the interested parties,

to produce and publish an

argued reason for its final

decision

including other airlines and

consumer groups, will have an

opportunity to comment. The

US government will be forced

How differently things are

handled in the UK. Here there

is a real risk that any decision

on any BA/American alliance

doors despite it being a merge

of two such huge and powerful companies that it raises

enormous issues of principle

about competition in aviation

consumer. This is wrong and

we should all lobby to ensure

What is more, under UK

that it is by no means clear

really thinks UK governments

are not capable of running the

money supply, then perhaps he

has some ground for argument.

people still prefer the economy

to be run from Westminster.

However, in the 1980s and 1990s, there was a sea change

in attitudes to economic

management for the better,

and a handover of tha money

supply to Frankfurt, having

learned the lessons, is surely

estate agents and chartered

unnecessary.

Pickthorn,

SULLAGADOLS.

24 Lime Street

London EC3 7ER, UK

James Pickthorn.

but I believe most British

and the interests of the

open debate.

will be taken behind closed

debate will be held in public.

desofte acknowledged

shortcomings in the US

European Commission and the European parliament,

FINANCIAL TIMES TUESDAY JUNE 11 1946

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The data presented were ominous, indicating that the US enjoys a substantive lead over Europe in the total number of biotechnolugy companies (1,300 versus 485), biotechnology patents (65 per cent versus 15 per cent of the world total) and annual biotech research and development expenditure (Ecn7bn versus Ecu2.2bn). The European offi-cials concluded in a final state-ment that "unless member

countries quickly develop the economic, legal and ethical framework to foster biotechnolnev business development, the continent is in danger of becoming merely a market rather than a major contributor" to innovation.

But those attending were unable - or unwilling - to make the connection between Europe's regressive, stultifying regulatory policies and diminished R&D. And in the end . they reverted to type, calling for more public discussion of ethical issues allegedly raised by biotechnology - in particular "vague fears" that the value of the human being. founded on its genetic constitution, may no longer be estab-lished". That is not leadership. It is dithering. And while the Eurocrats dither, Europeans' bopes for better lives and a

healthicr environment fade, The correct path is by no means obscure. A revised regulatory regime that requires case-by-case oversight only for organisms that might pose significant risk would have several advantages. It would decrease direct government involvement; stimulate academic and industrial research and development; eliminate what amounts to a tax on biotechnology innovation; and ultimately make important products available to farmers and consumers.

The author is Robert Wesson fellow of scientific philosophy and public policy of the Hoover Institution and a consulting professor of Stanford University's Institute for International

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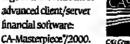
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·LETTERS TO THE EDITOR·

Software Flyer.



The airline business is one of the most competitive on earth. So to ensure their continued success. KLM Royal Dutch Airlines brought Computer Associates onboard. With CA, KLM can take advantage of the world's most



As Executive Vice President and Corporate Controller, Hans Bruggink says, "KLM is an international business with offices all over the globe. So we needed financial software that was multilanguage and multi-currency. In both cases, Masterpiece fit the bill." What's more. Bruggink appreciates the fact that Masterpiece operates in 'real-time.' giving his staff immediate access to the information they need right from their PCs. Perhans best of all, Bruggink says. CA and KLM worked together to

customise Masterpiece to precisely fit their needs: "CA made sure they had all the input they needed to tailor

Masterpiece to our specific requirements. And they continue to refine the software to keep up with the

new demands of our business." Sounds like a good partnership. "Flying sky high," says Bruggink. Spoken like a true airline executive.

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BA/American Airlines alliance merits probe

From Mr Richard Branson. Sir, In his analysis of the proposed alliance between British Airways and American Airlines ("In search of fair skies over the Atlantic", June 7) Michael Skapinker points out that the agreement will almost certainly require anti-trust immunity from the US authorities. This is absolutely correct, but it raises two very important points. The first is the way in which the US anthorities have used the grant of anti-trust immunity for airline alliances as a negotiating chip to obtain so-called open skies bilateral agreements. I believe such an approach is fundamentally wrong. Irrespective of the benefits open skies might produce, competition and the associated consumer gains are too important to be traded in this way. Why should open skies be traded for a legalised cartel between the largest and third largest airlines in the world (BA Fact Book 1995)? No competition law aviation is treated as such a special case other industry would be

Hang on to money supply

From Sir James Pickthorn, Sir, Mr Roland Soward (Letters, May 29) mocks the fall in the value of the pound from 1963, declaring triumphantly: "So much for British national sovereignty over monetary policy," These are foolish words. It takes little imagination to realise that if the pound had been fixed over those years. the level of unemployment of people and resources which would have resulted would have made the UK population desperate. In truth, the fall in the pound is a direct result of poor economic management, particularly by the Heath and Wilson/Callaghan governments. If Mr Soward

Short shrift for job poaching

From Mr Roger Freeman Sir, With regard to your concerns on the implications of job poaching among international investment banks and the need for market discipline ("Poaching bankers", June 6); is that not why God London N6 6AP, UK

invented the ability to short the shares of these institutions? Roger Freeman. Brookfield House

similarly conducive to especially not the companies which are supposedly the only owners of competitiveness. 108 Highgate West Hill, As for the suggestion that competitiveness be replaced by

that our competition authorities such as the Office of Fair Trading or the industry's own regulator, the Civil Aviation Authority, will have the powers to stop or even investigate a BA/ American alliance, irrespective of the harm it might do. Who then is going to look after the interests of the British consumer? As to whether this alliance should be approved, I can do no better than quote BA's own chief executive, Robert Ayling, when objecting to an

laws." The article goes on to

say "[Robert Ayling] said he

application by Lufthansa and United Airlines for immunity for their alliance from the US anti-trust laws similar to the one that he is now contemplating. He was quoted in the Financial Times only three months ago ("BA attacks US-German anti-trust move". March 6) as saying "What Lufthansa wants to do is to reduce the level of competition Chairmar by relaxing the anti-trust

would be interested to see how the US departments of justice and transportation dealt with Lufthansa and United s application ... Mr Ayling said the Justice Department was required to promote competition." I hope that the Justice Department takes Robert Ayling's words seriously!

Last year Lufthansa and United flew less than 14 per cent of all scheduled flights between Europe and the US. BA and American flew more than 28 per cent. If Robert Ayling thought a tie-up between Lufthansa and United so objectionable I would be interested to hear why he thinks a BA/American alliance should be waved through by either the UK or the US authorities without a thorough investigation.

Richard Branson,

Virgin Atlantic Airways, Ashdown House, High Street, Crawley, W Sussex, UK

No denying this competition

From Prof Stephane Garelli. Sir, In his article "Clear national income, it is indeed simpler, but also simplistic. thinking muddled by For example, two individuals competitiveness" (June 7), can have equal incomes, the John Kay falls in the trap laid first enjoying revenues from a for him by Paul Krugman and capital inherited from his states: "Competitiveness is a parents. the second from his characteristic of firms, not of countries ... "Good news, we can all relax. And all those hard work. Who is competitive if not the second who creates added value? The same concept who lost their jobs over the applies to countries. Today, last decade, or went into many still rely on inherited bankruptcy, should only blame wealth (eg natural resources) themselves. But who can or on the competitiveness of sincerely believe that states do past geoerations (Europe?). not compete with research It is indeed quite radical to policy (as in Japan), with evacuate a problem such as the technological infrastructure competitiveness of nations by (as in Singapore), with simply denying its existence. taxation (as in Ireland) or On July 14 1789, when the simply with value systems and Bastille was takeo over by an education (or is this the responsibility of angry populace, Louis XVL king of France, wrote in his enterprises ...)? And who can personal diary: "Nothing." claim that an enterprise Such short-sightedness cost operating in Nigeria or in the him his job, and much more. US, enjoys an environment competitiveness? Nobody, and

Stéphane Garelli, Professor at IMD and at the University of Lausanne Director of the World Competitiveness Yearbook, IMD business School,

Lausanne, Switzerland

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday June 11 1996

Russia the morning after

Russia's presidential election but Boris Yeltsin's fans among western investors are already heaving sighs of relief. Six months ago, most were steeling themselves to put up with any amount of wayward behaviour by Mr Yeltsin the campaigner if it helped deliver a long-term victory for Mr Yeltsin the reformer.

These days the assumption is that the president will get re-elected, leading the way to the consolidation of market reforms and full-blown economic recovery. Subscribers to this conventional wisdom would accept that there is still a risk of an electoral upset, opinion polls, heaven knows, have been wrong before. They remain confident, however, that a Yeltsin win spells an end to uncertainty. This may be optimistic.

Yeltsin enthusiasts point to the government's adherence to the broad outlines of the austere economic programme agreed with the International Monetary Fund at the beginning of the year. Though scarcely an election stop goes by without Mr Yeltsin promising another dollop of unbudgeted cash, official figures suggest that few of the promises have translated into actual spending.

If the president has effectively "bought" the election then it would seem to have come remarkably cheap. Some categories of central government spending were lower in the first quarter of 1996 than they have been since the onset of reforms

whose advisers betray little under-standing of the dynamics of main-Doubtless Mr Yeltsin would have liked to spend more. The But Mr Yeltsin has been all things trouble is that the collapse in domestic tax revenues and the bond market have made it difficult be premature to hope that the persona he adopts after the election will be the one western investors to fund even this amount. Tax revenues were 11.6 per cent of GDP in first quarter of this year, dowo

Silly bill Scores of Conservative MPs may today vote for a referendum on the UK's future in Europe. A bill representing Sir James Goldsmith's Referendum party. The unspoken aim of the bill, however, is more serious. It is to mobilise opinion behind a path for the UK which has only one logical destination – withdrawal from the European Union. So far only a tabled in the House of Commons by Mr William Cash, a prominent Eurosceptic, proposes that the electorate be asked whether the government should "insist on irreversible changes in the treaty on European Union". The aim is to handful of the Eurosceptics are prepared to admit publicly such an ambition. But, with the encourensure that the UK "retains its powers of government and is not agement of sections of the press, part of a federal Europe nor part of a European monetary union,

including a single currency". On one level this enterprise car

Nary a vote has been cast in from a dismal 14.1 per cent at the same point a year earlier. Ministers put the shortfall in revenues down to sheer uncer-tainty about the outcome of the election. In fact, they claim that revenues have risen somewhat in recent weeks as President Yeltsin has pulled ahead of Communist party leader Gennady Zyuganov. The election is likewise blamed for the absurdly high level of gov-ernment bond yields, which have fallen a little but are still running

and greater effort to open up the

Mr Yeltsin - backed by market

sentiment - would certainly have a better chance of resolving these

difficulties than Mr Zyuganov.

taining macroeconomic control

to all men in this election: It may

general election from candidates

market to foreign investors.

at annualised rates of 175 per cent at annualised rates of 1% per cent to 180 per cent. These have made it difficult for the government to stick to the IMF's budget deficit targets, even with the apparent tight control on spending. Mean-while government debt is soaring - from a low base, admittedly, but no-one believes that this rate of propriet con be succeived for very growth can be sustained for very his country.

long. In theory, a Yeltsin victory would dispel most of these economic dangers. Revenues would pick np, thanks to greater cer-tainty and the concerted tax advance its interests. reform programme which Mr Yelt-sin has promised both voters and

the IMF that he will introduce. And the bond market would get back to normal, as a result of both rising domestic confidence in the get more orders from China." government's creditworthiness

ernments behave themselves in relations with China could not have been expressed more crudely. Yet China's premier vilified in the west for ordering the crackdown on stu-

abroad more frequently, most recently to France where be signed a substantial order with Airbus. Before that he was in Bangkok for the Euro-Asia annmit where he held meetings with many of Europe's leaders.

1931, Mr Li was "adopted" by Zhou

a childless couple, and thus drawn

in the 90-minute discussion, dur-

ues from the economy to human

ing which he ranged widely on

and exhibited little sign of his cus-

tomary prickliness. Without yielding ground, he

tors that China would continue to

at and his wife De

into the communist elite.

their numbers are growing. So far the public appears little moved. For all the irritation with

A friendlier face to the world

The Chinese premier tells Tony Walker, Peter Montagnon and John

nese premier, can-not be accused of underselling China'a growing economic and political weight. In a lengthy interview with the Financial Times, he provided a blunt assertion of Chinese self-interest by warning US companies that they will lose ground to their European counterparts because of "more lenient" views in Europe towards

Mr Li, 67, was clearly intent on signalling that China would not hesitate to use the attractions of its vast domestic market and virtually insatiable appetite for technology to

"If the Europeans adopt more co-operation with China in all areas, not just in economic areas but also in political and other areas," he said, "I believe the Europeans can

His observation that European companies will prosper if their gov-

dent demonstrators in 1969, appears to be a playing a more subile game. He has embarked, it seems, on a fairly determined effort to improve his image, not just in China but also in the west. He is travelling burged more frequently most

Mr Li'a new choice of venue for official meetings is also revealing. He has begun to hold court in a traditional oriental villa, previously occupied by Zhou Enlai, a glant of

the communist revolution and Chithe communist revolution and Chi-na's first post-1949 prime minister. Use of the XI Hua, or "west flower", pavilion in Beijing's Zhong-nanhai leadership stronghold implies a wish to emphasize a link with one of the low temphasize a link with one of the less taroished per-sonalities of the Mao era. Sentiment may also be a factor: as the infant son of a "revolutionary martyr" executed by the Nationalists in

g Yi

more nationalistic figures, he emphasised that China would resist western pressures for greater eco-nomic and political liberalisation. In thet context, he conveyed a flavour of Chins's Increasing selfconfidence, even swagger, as its eco-

nomic power grows. Typical of this were his observa tions about China's attempts to join the World Trade Organisation, which are in timbo pending resolution of a range of issues, including market access. "When I made a speech in Paris recently to the business community, I said that if China cannot join the WTO, then we think that the WTO abould change its name to the Regional Trade Organisation. My remarks

won very thunderous applause." Mr Li also bared his teeth in his somewhat triumphalist observation about what he saw as a shift in US attitudes towards China in the past few months. "It seems that people both within and without the US government have come to realise the importance of China. That's why they advocate an engagement policy rather than an isolationist

policy. "This can be tarmed progress because before they miscalculated the situation. They thought that with the end of the cold war and the disintegration of the former Soviet Union, China was no longer impor-tant to the US. They may even have thought that China, like the former Soviet Union, would disintegrate very rapidly. But the facts have negated these ideas. They have shown a strong China is standing rock firm in the world and will con-tinue to develop so the US has no choice but to deal with China."

Mr Li is at an interesting moment in his premiership - his term is due to expire in early 1998 and he may he looking to his next task which might involve appointment as vicechairman of a restructured Comminist leadership. At a relatively young age for a Chinese leader, he could expect to occupy positions of influence into the next century.

He would also be concerned that his decade as premier be regarded as one of significant achievement, hence his emphasis on China's hav-ing laid a "stable" foundation for "reform and oper

Contrasting China's path to

reform with that of the former

Soviet Union which was "not very

clear", he observed: "Every country

has its own national conditions and

may choose a different develop-

mant, but one thing is clear...without a stable political

situation it is almost impossible for

any developing country to develop

He also made clear that China remained firmly wedded to "grad-ual" reform: there would be no

beadlong rush to a markat econ-

omy. "What kind of rols will the

government play in the course of

economic development?" he asked.

That is exactly the question that will be answered by a socialist mar-

its economy."

 \bigcirc

ket economy. We think the market plays a fundamental role in the allo-cation of resources but in China, a socialist country, the fundamental role played by the market can only be brought into full play under the government's macro-economic regulation and control."

FT Interview · Li Peng

To that end, China will in the next period of reform switch its attention increasingly to what he described as a "shift from an extensive growth economy to an inten-sive growth economy, or rather, change from quantitative growth to more efficiency-oriented growih". China's premier, who has a repu-



The die is cast, said Mr Li Peng, referring to Hong Kong's return to China next year. But despite his air of finality, the Chinese premier was keen to reassure the territory's residents that a smooth transition can be secured - right down to a joint handover ceremony.

territory's legislature. Chinese officials have binted thet they do not want the governor to play a prominent role in the handover ceremony. But Mr Li said simply that Mr Patten's participation was a matter for the UK government. As for Mr Patten's successor, one of the most important decisio

Ridding of his desire for better international relations r Li Peng, the Chi- for being one of the leadership's

be dismissed as just another of the Eurosceptics' flights of fancy. It has no prospect of becoming law. The question lt poses reveals a deliberate sophistry among its supporters. Signatories to interna-tional treaties cannot unilaterally insist on amendments to those treaties. Some Tory MPs will vote for the bill for no better reason than to avoid a challenge at the

the EU ban on British beef, a Gallup poll in The Daily Telegraph this week indicated that only 19 per cent of voters would back complete withdrawal. It would be wrong to be complacent. Some times the political and economic case for the UK's active engage ment in the EU seems almost too obvious to make. But it must not be allowed to go by default.

Bribe or subsidy?

When does an incentive to bring jobs to a deprived area become a bribe? Answer: if somebody else is doing it. And when everybody does it, defensible aubsidies become awamped in a welter of competing inducements. Multinational companies pocket the cash. Some build their factories where they would have built them any-way and send taxpayers the bill.

This competition has become more intense in recent years, as European regions bld against each other for inward investments, why is it necessary to put together increasingly sophisticated subsidy much of it from east Asia. It is one economic race in which the UK can boast remarkable success. The country attracts almost a third of the EU's inward investment. Overseas capital now accounts for a even from a parrow national perfifth of UK manufacturing employ-ment and about 40 per cent of the country's exports of manufactured goods. And the pace is increasing. The Welsh Development Agency, other. Even though regional devel for example, is now chasing about 100 projects, almost twice the number on its books a year ago. ways of putting together different types of subsidy can create a fat It is not difficult to understand why. Foreign-owned companies parcel. More than £37,000 per played a large part in reducing the despair and desolation in those by the Welsh Development parts of the country where whole Agency to LG, a Korean microchip communities were pitched into unemployment by the collapse of traditional heavy industries. in Trade and Industry to crack the whip, as the Treasury is now prothe northern region, for example, more than 60,000 jobs have been posing. It should restore consistency, evaluate the real economi created in the last 10 years from some 450 projects, which brought benefits of each project, and limit incentives to general measures to help deprived areas. More generinvestments of £7bn to the region. In addition to providing jobs in areas where unemployment ally the EU needs to press forward with its efforts to construct seemed to have become a way of clearer rules governing the pack-ages of subsidies which member life, the new foreign-owned factories have brought other profound benefits to the UK economy. Prostates are putting together with jects ranging from the earliest such imagination. Above all, it is television manufacturing plants in time for a recognition that such south Wales, to the modern car subsidies have become good for factory built near Sunderland by each and bad for all.

rights, China's premier spoke confi-dently about his country's future sounded relatively conciliatory about relations with the US, the

handover of Hong Kong and even about Taiwan which was at the "core" of Beijing's difficulties with Washington. He was anxious, it seemed, to reassure foreign inves-

Nissan have brought a revolution In labour practices, cheerfully accepted by the employees and emulated by competitors. Wage flexibility, the dismantling of unnecessary regulations, the lowering of corporate taxes and more imaginative approaches to planning have all been encouraged, in part at least, by the need to attract foreign capital. These reforms and other advan-

trumpeted by UK ministers. So

packages? Some companies, such

spective, it makes no sense for dif

ferent regions to increase the bid-

ding by competing against each

opment agencies are constrained

by national and by EU rules as to

what they may offer, ingenious

worker has recently been offered

It is time for the Department of

anufacturer.

provide a stable environment. But in keeping with a reputation Alternative

medicine tages of investing in Britain, such as access to EU markets, are much Deutsche Bank last week spent another DM550m to ball out the German angineering group Klöckner-Hamboldt-Deutz, the as Toyota, clearly do not need the cash. Others may be swayed. But second time it has spent that sort of money in as many years. But if Germany's biggest bank thought that its problems ended there, it should think again.

The bank owns 47.7 per cent of KHD and now has to find a buyer for KHD Humboldt Wedag, the cement plant subsidiary which ran up the losses and might have brought the entire group to Discreptcy. Who does it sell it to, though?

There are three groups worldwide specialising in cement plants, but Deutsche would have to sweeten the deal hugely before tempting any of them. In fact, some are suggesting. It might have to make provisions in Humboldt's accounts of up to DMIbn for further losses. One suggestion now doing the rounds is that Deutsche might try to lean on Kajo Neukirchen, the man busy irying to resuscitate Metallgesellschaft, the industrial group which almost collapsed two

years ago. It has often parachuted him in as doctor when any one of the many companies under its wings begins to totter. The bank may well reckon he owes it a TAVIEST. Nonetheless, taking over the · · ·

latest problem would surely rattle even him. He headed up KHD from . 1988 to 1991, and might well not . appreciate its reappearance in his career. What is more, Humboldt Wedag would be a poor fit with : Metallgesellschaft, and could even jeopardise the group's unfinished recovery. As one executive said: Industrially, it would be a total catastropha. But Deutsche Bank would have solved a problem."

Leeson mark 2

What a difference nine months makes. The BBC documentary tomorrow night. "Nick Leeson and the fall of the house of Barings" gives an altogether harsher picture of the trader than did Sir David Prost's interview in September. Sir David, who had proudly secured for the Beeb the world's first media interview with Leeson then in prison in Frankfurt, tended to the banal. He extracted thisexplanation of the losses: However naive and stupid this may sound. I was always working in the best interests of the hank". To be fair to Frost, Leeson had everything to gain from such a. portrait Adam Cortis, the producer of tomorrow's special edition of Inside Story, says that when interviewed by Frost, Lesson was hoping strongly to come back to Britain, and

presented himself in a charming,

little boy way". When seen by:

Curtis, the day before leaving

jall. The was going back to some form of imprisonment, and was hyped up and angry"_ Leeson, who says that Barings had "a lot of kliots in all the controlling functions", tells Curtis: "I really don't care what people think. I don't care what you think I don't care what the average man in the street thinks". Which sheds at least some light on how the bank lost \$880m without realising

Frankfurt for Singapore's Changi

No I don't

characteristics.

BSERVER.

Timothy Stamps, Zimbabwe's white health ministery is folly keen on the institution of maintage as part of his Aids awareness campaign. But not so keen that he part of his Aids awaren wanted to go through with it twice himself - which is what it seems he may now have done. The problem arose during a visit, last month to a village which had just bust an Aids elinic. Stamps wanted to thank them, and intended to go through with a spool welding ceremony, "paying" for a traditional bride. "I thought I would get any girl from the audience but someone jokingly said I should go through the proper process of marriage," a red-faced Stamps admitted It was in this way that Stanges, 59, took the hand of Stella Gurira. 15. In what she, her family and the villagers seem to think was a serious ceremony. The girl hasbeen asking a reporter if there is

Britain bope that the bandover reform, indicated that such reform was on the agenda but the pace of ceremony can symbolise the change would be slow. While rejectglorious or honourable withdrawal of Britain from Hong Kong," Mr Li ing any notion of China evolving into a "western-style democracy" he said: "We will develop our democstid. "We have no objections to that because that also means we racy to suit China's natural condican take over in a very dignified tions and we will deepen political and honomable mann Such comments contrast with restructuring and further develop recent Chinese references to a our democracy according to our

"freeing of the shackles of colonial rule". They also raise the prospect Mr Li may continue to issue threats against those who appear of progress on the vexed question of handover ceremonies unfriendly to China. But his remarks and demeanour indicate he is intent on exhibiting a friendlier especially the role of Mr Chris Patten, the Hong Kong governor. face to the outside world ~ and Mr Patten has drawn criticism recognises that China'a interests from Beijing since introducing democratic reforms which require a greater effort to seek compromise rather than confrontation. broadened the electorate to the

any message from her husband

any message into her message the putative bigamist. "Did he tell you when he is coming to take me to Harare?" she asks, apparently

fearful that if be tarries long, she

will be too old to have children.

propose to view Stamps's age as an

uperable obstacle: "I cannot

refuse a son-in-law, no matter how

old he is," he says. Particularly if

England-free zone

Surope is not making the English

as unpopular as some people might think. Merchandise emblazoned

championship logo, which includes

In large letters the word "England", has been selling well in continental Europe despite the

government's beet war with its

However, there is one place

where fans refose to my anything associated with the host country.

No prizes for guessing that it's ...

licensing of all Euro 96 products,

says Scottish retailers and licensets have received special

· LPL the firm handling the

European partners

Scotland .

John Major's war against

with the Buro 96 football

he is a senior politician.

Her father certainly doesn't

was not in favour of haste in selecting a chief executive. "The basic policy of China is to ensure a stable transition and smooth transfer of government," he said. "I prefer a quite thorough deliberation over the candidates on the basis of soliciting the views of

the Hong Kong people." While this will provide some comfort for those seeking consultation on the issue, it may disappoint those in the territory hoping for a rapid solution. They want an early appointment to end uncertainty and to provide a local leader who can uphold the principle of autonomy on which the andover agreements between Beijing and London are based

Financial Times

100 years ago

Amazon Steam Navigation The report of the directors of the Amazon Steam Navigation Company, to be presented at the general meeting in London, states that, after making adequate provision for depreciation in the company's fleet the available balance including £25,751 brought forward. is £35.011. The company's renewed contract. with the Federal Government of Brazil was signed on 1st August last, and, with the approval of both Houses of Congress subsequently obtained, the contract will remain in force for a term of ten years.

50 years ago

Railway Mission to Argenting The Financial Times learns that an important British mission eded by a promiment public figure is leaving shortly for the Argentine. The main purpose of the mission is understood to be discussion with the Argentine Government of the future of . British-owned railways in Argentina President Peron's recent reference to the intention of Argentina to respect foreign capital should help to form an encouraging background to the mission's task. Argentine raflway stocks have recently . been strong on confidence of a resumption of Angle-Argentine talks on the future of British-owned lines.



dispensation from UEFA - the sport's governing body in Europe to sell goods with an England free

logo. That was wise, not just for mamercial reasons. Ob, by the way, England play Scotland at Wembley on Saturday.

LEGAL DEFINITIONS lobby n. 1 place where MP's throw things esp-tantrums, comments etc. 2 endewoor to influence politicians and civil servants to promote a particular viewpoint, see nowe a Maw; asap (ph O171-248 4283)

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Rowe & Maw LAWYERS FOR BUSINESS

FINANCIAL TIMES Tuesday June 11 1996



EU ministers press UK Japanese store chief to drop beef ban tactics

By Caroline Southey and Lionel Barber in Luxembourg and Robert Peston in Londor

Mr Malcolm Rifkind, the UK foreign secretary, faced sharp criticism from fellow European Union foreign ministers yester-day as Britain came under mounting pressure to abandon its blocking tactics in the beef crisis. The attack on the UK's non-co-

operation policy over EU business came despite limited British concessions at a meeting of EU foreign ministers in Luxembourg.

foreign ministers in Luxenhourg. Meanwhile Italy, which cur-rently bolds the EU's rotating presidency, and the European Commission were playing key brokering roles ahead of the European summit in Florence at the end of next week.

Mr Jacques Santer, Commission president, said he was hopeful of a deal with Britain before the summit.

Britain and the Commission are expected to submit a draft plan to EU veterinary experts on Friday for lifting the EU embargo

on UK beef exports. A han on ban based on agreed scientific British beef exports worldwide criteria, coupled with an underwas imposed after possible links taking that member states will were disclosed between BSE, or not block enforcement for politimad cow disease, and its human equivalent. Creutzfeld-Jakob discal reasons. Mr Lamberto Dini, Italian for-

eign minister, explained that if Britain abandoned its boycott in Italy warned yesterday that the UK had to be more flexible to "pragmatic, but not definitive way" there could be progress keep alive hopes of a deal, allowing a step-by-step lifting of the embargo on British beef exports, toward a deal. But other countries took a in time for the Florence summit.

+ *

harder line. Mr Hans van Mierlo, A senior EU diplomat said: "We Dutch foreign minister, said Britare on a knife-edge. Nobody knows what form the political ish should call off its campaign before negotiations begin on a crisis will take if we don't get a framework agreement.

Mr Hérve de Charette, French deal at Florence. But there will be a crisis if there is no deal." foreign minister, said Britain was shooting itself in the foot" by Making concessions in three areas to Britain's EU partners, blocking policies which it favoured. Mr Abel Matutes, Span-Mr Rifkind waived opposition to funds for elections in Bosnia-Herish foreign minister complained of "blackmail", while Mr Niels cegovina, an association agreement with Slovenia offering the Helvig Petersen. Danisb foreign prospect of future EU memberminister, said Britisb policy lacked all logic. ship, and a mandate for a trade

Britain is pinning its hopes on a "framework" agreement with its EU partners to lift the beef 2; Beef war barrage, Page 8;

German unemployment

may quit in payments scandal

By William Dawkins in Tokyo

The president of Takashimaya, Japan's largest and oldest department store, is considering resigning over allegations that the com-pany paid racketeers not to disrupt shareholders' meetings. Three present and former Tak-asbimaya employeee were arrested on Saturday on suspicion of paying hundreds of mil-lion of yen to Mr Isao Nishiura, self-professed leader of a promi-

nent Osaka gang syndicate. Police allege that Mr Nishinra extorted a record Y80m (\$734,000) from Takashimeya staff in the past two years alone, and "several bundreds of millions" in earller years. The payments were said to be listed in company accounts as expenses for social

Mr Nishiura and other so-called "sokaiya" corporate gangsters operate by buying shares to qual-ify for entry to shareholders' meetings. He got into Takashi maya'a by buying 10,000 shares – worth Y16.7m at yesterday's clos-ing price – through a front com-

Driginally, companies recruited the sokaiya to stage filibusters at general meetings to dany bona fide investors the chance to ask difficult questions. Gradually, bowever, the racketeers turned against their employers. They found it more profitable to exploit company chairmen's hor-ror of personal embarrassment by threatening to turn up at AGMs and shont abuse at them or throw objects.

The Japanese government tried to put sokaiya out of business in 1982 by banning them under the commercial code.

Since then, several leading companies including Ito-Yokado, the supermarket chain, and Kirin Brewery, Japan's largest, have fallen foul of the law. The president of Ito-Yokado resigned in 1984 and the chairman of Kirin two years ago, after employees were arrested for paying gang-

Most companies resort to a

THE LEX COLUMN Westinghouse's make-over

96

dend, the real mystery is why the divi-

dend is not higher. After tax, interest

and investment British Energy'a cash

flow this year should be around

gy's balance sheet is ludicrous even by

the skewed standards of Britain's pri-

vatisations. Operating cash flow is

likely to cover interest more than

needs are modest. Unless the company

hands a big chunk of cash to share-

Fourth, there should be plentiful

scope for cutting costs. British Energy

years, National Power, by contrast,

has cot staff by 70 per cent over the

Fifth, the long-term liabilities sound more gruesome than they are. Annual contributions to fund decommission-

ing costs amount to a mere £16m.

Reprocessing costs are a much bigger

drain on cash, but these are at least

covered by long-term, fixed-price con-tracts with British Nuclear Fuels.

Such contracts are, though, one

electricity prices. Because its stations

run continuously, and costs are

mostly fixed, profits will suffer dispro-

portionately if revenues fall, Still, high

within three or four years.

same period.

FT-SE Eurotrack 200: 1723.0 (+0.1)

Westinghouse

S&P Composite

Jun 🐪

ource: FT Extel

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Share price relative to the

Westinghouse Electric's announcement that it may split its media and industrial businesses is the latest attempt by Mr Michael Jordan, its chairman, at turnaround-by-financialengineering. It may just work, and not before time. The acquisition of CBS seven months ago, in a shift from diffi-cult industrial markets to broadcast media, failed to produce the desired effect on the company's share price. That is partly because many investors who liked the look of the media business are reluctant to buy the package a financially-stretched congiomerate involved in competitive and capital-in-tensive businesses, with the additional problems of pensions underfunding and environmental difficulties. By spinning off the media division,

Mr Jordan will effectively be constructing a fire wall. The share price should benefit; the merger of Westing-bouse'a Group W broadcasting subsidiary with CBS's stations does appear to be adding some value, and the split would liberate the media business from the overhang of group debt. What will be left of the original

£250m. Spending £96m of that on divi-dends is hardly extravagant. Third, the strength of British Ener-"core" businesses in a year's time is debatable. It would be logical to sell power generation to a financially stronger owner, and Thermo King, eight times this year. And unlike Rail-track's, British Energy'e investment Westinghouse's refrigerated transport division, could also be on the block. Mr Jordan may soon be able to claim he has worked some magic for share-holder value - but only by dumping holders, it could have no debt at all the group's original businesses for a new portfolio. Perhaps, had he spent less time on deal-making, three years might have been long enough to turn around the old industrial core. proudly points to manpower reduc-tions of 20 per cent over the last five

Nuclear privatisation

Go to a closing down sale, and you expect to pick up something cheap. Certainly, the final offering of the Brit-ish government's great privatisation bazaar - British Energy, the nuclear generator - looks a classic bargain in the making, Inevitably, many investors will fail back on yield-based valu-ations which underrate the company's cause of an Achilles' heel: British Energy's vulnerability to changes in potential to gear up and churn out cash. Furthermore, daunted by British Energy's vulnerable revenues and heavy long-term liabilities, they may demand a higher yield than even Railtrack fetched. But in fact, British

Energy has a lot going for it. First, British Energy has at least one big advantage over Railtrack: modest political risk. Threats from the operational gearing cuts both ways; profits can benefit from quite small improvements in power stations' performance. Prices are bound to come under pressure in the end - when opposition Labour party to interfere with British Energy after privatisation someone eventually tackles the shorthave been conspicuously muted. Secage of competition in the generating

only long-term worry; just as funda-mental is the fog surrounding management etrategy. The "strategy" in the prospectus is little more than a generalised wisb-list for reasons at best flimsy, the company is enthusiastic about investing in new power generating businesses across the world.

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Whether such a classic diversification binge can generate satisfactory returns in the face of hot global com-petition is doubtful. Worse, there is little to stop the company trying, a golden share protecting the company from takeover, not to mention buckets of cash, means disciplines on manage ment are few. Potential shareholders should demand a more compelling strategy before handing over cash.

Semiconductors

Alarm bells are ringing in the semiconductor industry. Manufacturers expected 20 per cent growth in sales by value at the start of 1996, but forecasts have more than halved. New capacity is being mothballed in the face of overwhelming new supply; in recent weeks, Samsung, NEC, Hitachi and now Fujitsu have reined in expansion. Meanwhile, the world's produc-ers are talking of creating a world semiconductors council - and some cynics suggest this displays e desper-ate desire for some form of cartel.

Life is certainly tough for manufacturers of commodity semiconductors such as D-Ram memory chips, which have been the focus of the recent investment cull. Many Asian countries are keen to use basic chip manufacturing as a platform on which to build high technology industries, so governments may encourage investment which is otherwise hard to justify. D-Ram chip prices have fallen more than 50 per cent since the start of the year, and there is no short-term prospect of a recovery.

Nonetheless, given this gloom and doom, it is easy to lose track of the fact that industry growth remains spectacular. Even against this back-drop of price cuts, sales should grow more than 8 per cent this year. Highertechnology customised chips have seen little price pressure and Siemens is the only large European manufacturer to produce D-Ram chips. The trend for smaller, more powerful and, above all, cheaper semiconductors will put pressure on the manufacturers of more basic products in the long run. But demand from consumer electronic manufacturers should power a recovery in growth rates in 1997.

UK pre-emption rights, Page 22

Lower jobless total **Bomb** aimed at Syrian fails to ease labour president crisis in Germany **Continued** from Page 1

pact with Algeria.

US citizens in Syria to "review their security practices".

The Arab sources say that for the past month Mr Assad has been working ont of Latakia, the heartland of the minority Alawite sect around which he has built

the Syrian regime. They add that he has met there Rifa'at al-Assad, his younger brother, for the first time in more than a decade. Rifa'at, once a pillar of the military-backed Ba'athist government had been out of favour in Syria since his March 1984 attempt to take over the regime, after Mr Assad fell ill in late 1983.

Syria is at odds with Turkey because Damascus shelters Kurdish separatist forces and because of Turkish plans to dam the the Euphrates on which Syria depends. Most recently, the coun-

By Peter Norman in Bonn Unemployment in Germany fell by just under 150,000 last month, Rate as % of labour force

but a smaller-than-expected seasonally adjusted decline showed there is as yet no easing of the

country'e employment crisis. The federal labour office in Nuremberg reported the pan-German unadjusted jobless total dropped to 3.82m in May from 3.97m in April. This reduced the "headline" unemployment rate to 10 per cent of the labour force last month from 10.4 per cent in April but still well above the 9 per cent of May last year.

1993 94 Mr Bernhard Jagoda, labour office president, said the decline Bullish figures last week for in unemployment between April April's industrial orders and proand May was in line with sea-sonal developments. "Nothing duction triggered hopes that Ger-

Slovenia applies to join EU, Page functions. Editorial Comment, Page 15

95 96

co-operation agreement Turkey signed with Israel in February.

CBS owner

Continued from Page 1

industrial businesses recover their investment-grade credit rating, the group's executives said. Westinghouse was relegated to junk-bond status at the time of the CBS acquisition, reflecting the heavy debt it assumed to make the purchase.

Westinghouse said that it would take four to six months to examine the tax and legal issues involved to see if a separation of the broadcasting from the indus-trial businesses would be practiriding unfavourable trend on the labour market," he said. The German trade union feder-

ation said the fall was "disappointing". Ms Ursula Engelen-Kefer, the DGB's deputy leader, declared: "We can be pleased if the annual average stays under

Seasonally adjusted, German unemployment fell in May by just 7,000 to 3.93m, leaving the jobless rate unchanged at 10.3 per cent. In western Germany, seasonally adjusted unemployment actually rose by 15,000 to 2.77m, or 9 per cent of the labour force,

LOW

FT WEATHER GUIDE

from 8.9 per cent in April. This was offset by a 23,000 fall 10.3 per cent in the unadjusted total compared with May 1995. in eastern Germany's adjusted jobless total to 1.16m, cutting the Provisional estimates from the region's unemployment rate to federal statistics office put total 15.5 per cent in May from 15.8 per employment at 34.3m in March, cent the previous month. down 420,000 on March last year.

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jobs data, which upset expectations of a 15,000 drop in seasonally adjusted unemployment, showed "the economic upswing is still fragile". Mr Jagoda blamed the poor May figures on weak demand for building work and its knock-on effects on the economy. The usual spring recovery obscured these adverse trends. The scale of Germany's unemployment problem was highlighted by year on-year figures showing an increase of 357,000 or

many might be pulling out of its

to Mr Holger Fahrinkrug, an

economist with investment hank

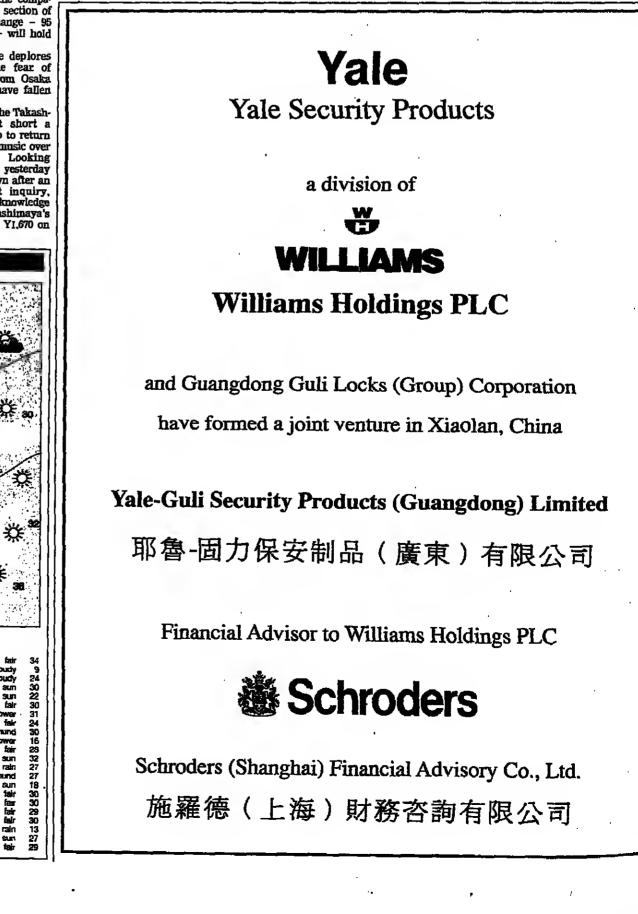
UBS in Frankfurt, yesterday's

unwelcome shareholders. They hold AGMs on the same day. This year, nearly 1,400 of the companies listed in the first section of the Tokyo stock exchange - 95 per cent of the total - will hold meetings on June 27.

The stock exchange deplores this practice but the fear of unwelcome visitors from Osaka has meant its pleas have fallen on deaf ears

Mr Hiroshi Hidaka, the Takashimaya chairman, cut short a European business trip to return to Tokyo and face the music over the latest scandal. Looking embarrassed, he said yesterday that be might step down after an internal management inquiry, but denied any prior knowledge of the payments. Takashimaya's share price fell Y50 to YI,670 on the news

LYS TOSS OV company's' paying an uncovered divi- Electricity prices are not, however, the



Europe today

Most of the British Isles will be rather cloudy with patchy rain. South-east England will start sunny and sun will return to Ireland later. Scandinavia will have increasing cloud with rain in the west. The western part of the continent will remain dry and sunny. Southern France and the Iberian per will have abundant sun. Central France and the Alps will have sunny periods interspersed with isolated afternoon thunder ahowers. Northern parts of the continent will be warm with sunny periods. South-eastern Europe will continue sunny and warm with eding 30C. emperatures exc

Five-day forecast

Thunder showers will continue in France and the Balkan states. Thunder showers may also develop in the warm air over southeastern Europe. The Low Countries will remain rather sunny, but will turn cooler because of winds from the North Sea. The LIK will also become slightly cooler but will stay mainly dry and sunny. Northern parts of the continent will have sunny periods with thunder showers.

TODAY'S TEMPERATURES

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Ask Cavin interferring. As the UK's landing learning and fleet man company we'll ensure you get the first pessible value from your fleet. OTHE FINANCIAL TIMES LIMITED 1996

Tuesday June 11 1996

IN BRIEF

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AIG leads Russian investment fund

American International Group, the US insurance underwriter, together with a group of international investors and a US government agency have joined forces to create the largest fund for investment in the former Soviet Union, Page 18

Kirch to unveil digital pay-TV strategy Kirch, the German film and entertainments group, will today announce its pricing, marketing and pro-gramming strategy in preparation for the launch of its digital pay television services, possibly as early as July. Page 19

Canal Plus in offer for rights company Canal Plus, the French pay TV group, officially lodged with the stock market authorities a friendly offer to take control of UGC DA, the country's largest broadcasting rights company. Page 19

Copa to spin off Philippine power plants Consolidated Electric Power Holdings (Cepa), the energy subsidiary of Hopewell Holdings of Hong Kong, plans to spin off its five Philippine power plants into a separate company which will be listed on the Philippine stock exchange. Page 20; Cheung Kong spin-off plan hits shares, Page 20

Citic Pacific cuts HK Telecom stake Citic Pacific, the Hong Kong-listed arm of Beijing's main domestic and international investment vehicle, fuelled speculation it would bail out of Hongkong Telecom by selling s further 2 per cent of its stake in the colony's telecoms carrier. Page 20

Kelloga slashes cereal prices



A price war broke out in the US breakfast cereal market as Kellogg, the biggest cereal company, slashed the prices of some of its topelling products in the US by up to 28 per cent. The company tried to put a positive face on the cuts, announcing them with a fanfare in New York, But

they were seen as a defensive move following steep price cuts in April by Philip Morris's Post subsid iary, one of Kellogy's biggest rivals. Page 21

Unigate set for European expansion Unigate of the UK primed investors for continental sequisitions in foods and distribution as it reported a 7.5 per cent rise in underlying profits to £125.3m (\$190.5m) for the year to March 31. Page 22

Crédit Lyonnais in fresh government talks Credit Lyonnais has been in fresh talks with the French government for several weeks about future financing uceds at the bank, according to figures close to the negotiations.

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General Motors

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Companies in this Issue

600 Group

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BA set to seal alliance with American

By Michael Skapinker, Aerospace Correspondent

lines, a smaller carrier.

Atlantic

American will create one of the British Airways and American strongest partnerships in svia-Airlines are expected today to announce their long-awaited allition. The two airlines account for 60 per cent of traffic between the ance amid strong opposition from rival carriers on both sides of the UK and the US, the world's busiest long-haul routes. They also

operate 70 per cent of London-New York flights. US industry sources said oppo-sition to the deal would be even greater if BA retained its 24.5 per Industry sources believe American is also close to concluding 6 code-sharing agreement with Iberia, the Spanish carrier. The cent stake in USAir, another airline, and continued with plans for another "code-sharing" agree-ment with America West Airairlines refused to comment. Code-sharing involves an airline selling tickets on another

The expected code-sharing carrier's flights. This allows an agreement between BA and airline to sell seats on routes to which it does not fly itself. BA will be able to sell tickets to destinations on American's vast US domestic network while American will sell tickets for BA's longhaul destinations. Mr Robert Crandall, Ameri-

can's chairman, has described code-sharing as "profoundly anti-competitive". He has said, however, that his airline was forced to look for code sharing partners because competing airlines have done the same. The US government has said it

Swedish carmaker's head departs after four years to join UK engineering group

would not approve the BA-Ameri-can alliance unless the UK agrees to conclude an "open skies" agreement with the US. This would allow US airlines to travel to any airport in the UK, including London's Heathrow, and then on to other countries. The UK is expected to offer the US greater access to Heathrow, but to resist the granting of "beyond rights". Mr Scott Yohe, vice-president for government affairs at Delta Air Lines, said his company would only accept a BA-American alliance if the open skies agreement was concluded first. Letters, Page 14

Federal Express, the US cargo airline, is expected to press the White House to veto any open skies agreement which excludes beyond rights. The company has been demanding the right to fly to third countries from the UK. At present, Federal Express can fly to only a few European, Asian and Middle Eastern destinations from the UK. Virgin Atlantic of the UK is also calling on the US and UK governments to veto the BA-American alliance on the grounds that it will give the two airlines too much power.

Fujitsu postpones Oregon start-up

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By Michlyo Nakamoto in Tokyo

Fujitsu, one of Japan's leading niconductor manufacturers, is postponing the start of production at a new 51bn factory in Oregon by about six months becaus of a sharp shump in prices for memory chips. The company said it plans to

begin mass production of dynamic random access memory (D-Ram) chips at the facility in the second balf of 1997.

The plant is under construction on the site of an existing factory, and Fujitsu is now expected to manufacture s new generation of 64-megablt D-Rams there, rather than the current generation 16 megabit D-Rams as it originally planned

The decision to deley operations in Oregon follows Fujitsu's decision to halt temporarily e planned £816m (\$1.2bn) tion at its Newton Aycliffe plant in north-east England. Meanwhile, NEC, Japan's larg-

est semiconductor maker, is cutting production of 16-megabit D-Rams for one mouth because of the sharp fall in prices, while Korea's Samsung, the world's largest D-Ram maker, said It would cut production by 15 per cent in the second half of the

D-Ram prices heve fallen sharply over the past six months as production has outpeced demand. Fujitsu belisves the market will eventually stabilise as big users, such as the personal computer industry, are still growing strongly.

However, the current market environment, which follows a sharp increase in output due to advances in production technol-ogy and new facilities coming on line highlights the cyclical nature of the D-Ram market.

"In the second half of 1995, iemand for memories was so high that the market seemed only to be restrained by capac-ity," Fujitsu said. "In the first half of 1996, the impression that has been given is exactly the opposite,"

The slump in memory chip prices will have a significant impact on the profits of Japanese semiconductor producers sccord-ing to the Nomura Research Institute, 9 private think-tank.

Yesterday the Institute revised

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GM appoints US executive to Saab chief's job

By Hugh Carnegy in Stockholm and Ross Tieman in London spread responsibilities in North

General Motors, the world's biggest car maker, yesterday appointed Mr Robert Hendry, one of its top Detroit-based executives, to take command of Saab Automobile, the troubled Swedish manufacturer in which it has a half share. He will succeed Mr Keith Butler-Wheelhouse, chief executive since 1992, who it was announced yesterday is leaving to become chief executive of Smiths Industries, the UK aero-space electronics and specialist

engineering group. Although GM had planned Mr Hendry's appointment for some time, the announcement was rushed out after Mr Butler-Wheelhouse - a Briton - told GM at the weekend of his Intentiou to move to Smithe instead of another post within GM. Mr Hendry, 9 member of GM's top executive team with wide-

America, will take over on August 1. He was not available for comment yesterday, but Mr Louis Hughes, head of GM's international operations, said the appointment of a senior figure said to be close to Mr Jack Smith,

GM's chief executive, "demon-strates our commitment to Saab Automobile going forward". The task facing Mr Hendry is to prove that Saab can overcome weaknesses which many analysts suspect it cannot.

Saab, in which GM acquired its half share during a race by US manufacturers to obtain European luxury marques, slid back into the red in the first quarter of this year to the tune of SKr333m. (\$49.3m) after a 12 per cent fall in vehicle sales - and a 21 per cent fall in the US, its biggest market. Since GM bought management coutrol and its stake in 1989, Saab has run up accumulated net losses of SKr9bn and swallowed

Ins and outs: Keith Butler-Wheelhouse (left) leaves Saab for Robert Hendry to step in as chief executive capital injections by GM and coowner investor, the Wallenberg company, of SKr8bn.

GM and Investor are due shortly to agree a new funding package aimed st backing Saab's plan finally to achieve critical mass by increasing output from 100,000 cars a year at present to 150,000 by 2000. It is to launch a new model next year, alongside its present 900 and 9000 models. Mr Butler-Wheelhouse oversaw of £376m (\$1.3bn). changes which sharply reduced

Saab's cost base and raised effi-

ciency and quality. But after four years, GM clearly felt new blood vas needed. His move to Smiths appears to

manufacturing heartland, Mr resolve the question of who is to succeed Sir Roger Hurn, architect of Smiths' transformation from a Butler-Wheelhouse moved to South Africa as e teenager. He worked for Ford in South Africa from 1965 to 1985 before joining clockmaker, and subsequently 9 motor components manufacturer, GM's local operation. When GM into one of the UK's most was forced by anti-apartheld sanctions to sell the company in admired engineers, with annual sales in the year to August 5 1995 1987, Mr Butler-Wheelhouse, as

chief executive, became a princi-pal shareholder in a management buyont; Sir Roger, 58. will surrender the chief executive's role but



wider review of all Daimler-Benz's business areas. Daimler-Benz bas already dismantled luterServices (Debis), the AEG, the electronics and energy services arm of the Daimler-Benz industrial group, is considering the sale of its Frankfurt-based group, and has ended financial support for Fokker, the Dutch regional aircraft maker. Last week, Daimler-Benz Aerospace, (Dasa) senctioned the sale of its marketing and advertising sub-

months, the marketing services subsidiary of Debis is a profit-able division. As part of its review, Daimler-Benz has defined itself as a transportation group and has decided only to retain businesses that fit this definition, as long as they meet a minimum threshold of a 12 per

shortly. But we are not yet in sales talks." It said the review was confined to the marketing division, and not the newly-created talecom-

disclose profits. The unit operates s range of marketing services including media consult

ing, market research and

advertising. One of the arguments

increase on the previous year,

although Daimler-Benz did not

remain as chairman et least until

Smiths' retirement age of 60. Born in Walsall, in the UK's

munications and media services division. If the sale proceeds,

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Market Statistics

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mate prices at 12.30. Banakok closed

sidiary. The company said a formal majority stake in Dornier, the decision on the marketing and loss-making German regional advertising division, which made abreraft maker, to Fairchild, the DM800m (\$521m) of sales last US defence group. year, was expected within weeks.

B and MCI, its US partner. have for months been lay

ing the groundwork for 9 pre-

emptive strike on the Internet.

Yesterday, the planning and investment paid off as markets applanded an ambitious move to

capture a substantial share of

traffic on the world's fastest

growing computer network. Shares in both companies rose

as analysts welcomed further

signs of their willingness to take the lead aggressively in pursuing new and potentially lucrative ser-

Yesterday, senior BT and MCI executives, including Mr Vint Cerf, an MCI vice-president cred-

ited with co-founding the Inter-net, claimed the two companies

had developed the first integrated

globel superhigbway, a high-speed, high-reliability Inter-net "backbone".

It is the first time large tele-coms operators have attempted to reclaim control and manage-

meut of the Internet from Its

to communicate with

groups outside. With no end to

ĺ

vice opportunities.

By Wolfgang München in Frankfurt

Unlike other Daimler-Benz The move comes as part of a companies sold over the past 12 review is currently under way,

Markets welcome ambitious venture with BT

the growth of the Internet and intranets in view, how long will the new backbone be able to meet the demand? "That is the

challenge," Mr Gavin says rue-

fully. "Yon have to watch devel-

opments on e daily basis." BT and MCI will operate the

new network through Concert, 9 joint venture established two

years ago to compete for the busi-

ness of large international cus-

tomers. It is in direct competition

with other international alli-

ances, WorldPartners led by AT&T, the largest US operator, and Global One involving Deut-sche Telekom, France Télécom

Network will lift

capacity by about

30 per cent

and Sprint, the third largest US

money from its new network?

The economics of the Internet

can be puzzling. Conventional

wisdom that telephone calls cost

a lot of money - even if charges are declining - seems to be turned on its head. Internet users

stay on the line for hours for

almost no cost. Clever software

making it possible to transmit

conversations over the Internet

promises international voice calls

But Telecoms experts explain

that Internet economics depend on the statistical probability thet

only a small number of the

potential Internet population will

want to use the network at any

In this model, transmission

capacity can be divided into

smaller and smaller chunks and

one time, say, only one in 40.

for next to nothing.

ng-distance operator. How will BT and MCI make

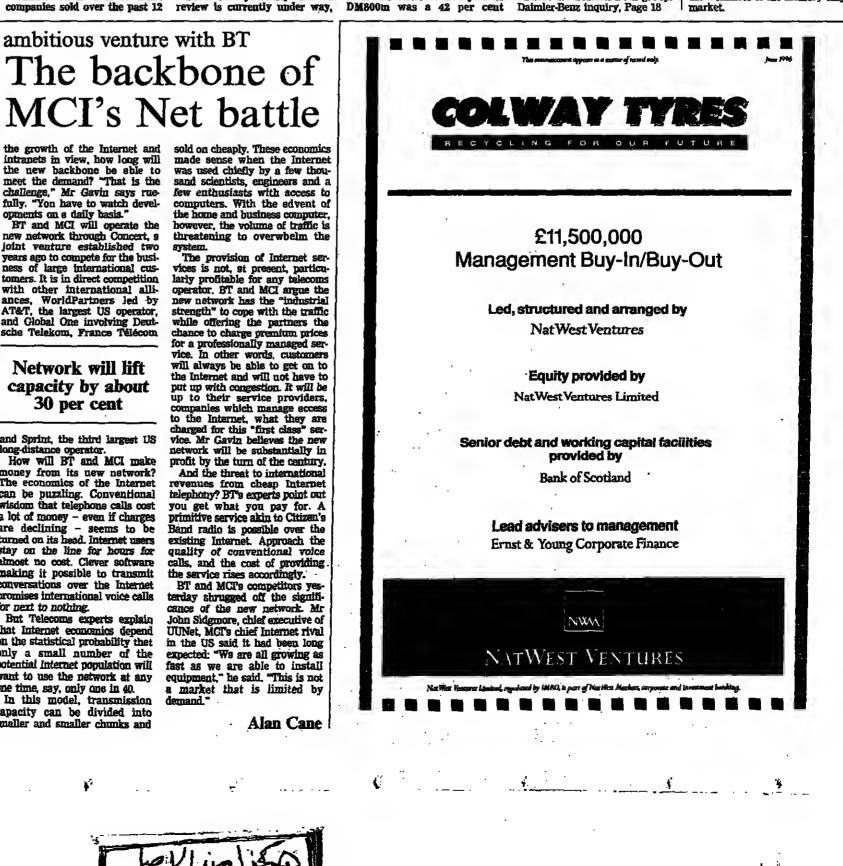
cent return on capital employed. The marketing division is seen as providing a poor strategic fit with the rest of the group. Debis said yesterday that "a

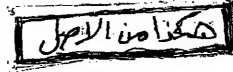
Debis's basiness will focus more closely on its core businesses of car leasing and computer software

The Debis marketing services division's turnover last year of

and a decision is expected

favour of a sale is the division's its forecast for the aggregate weak connection with other profits increase of 400 Japanese Daimler-Benz companies. About corporations, excluding financial 80 per cent of the customers of institutions, from an initial 15.2 Debis Marketing Services are outside the Daimler-Benz group. per cent to 7.9 per cent because of the weakness of the memory chip market.





demand

inch to

COMPANIES AND FINANCE: EUROPE

AIG leads largest Russia investment fund

By Nicholas Denton in London and John Thomhill in Moscow

American International Group, the US insurance underwriter, together with a group of international investors and a US government agency bave joined forces to create the largest fund for investment in the former Soviet Union.

The investors - which include Mr Hans Rausing, the former chairman of Tetra Laval, as well as mainstream US pension funds - had committed \$181m by last Friday. The fund is expected to raise \$300m.

The fund - the Millennium Fund - has been successfully placed despite the political uncertainty in the run-up to Russian presidential elections on Sunday. It already sur-passes the First NIS Regional Fund, for which ING Barings raised \$180m.

The fund's popularity owes much to a guarantee from the Overseas Private Investment Corporation, the US govern-ment agency mandated to pro-mote the private sector in regions like the former Soviet Union. Opic, which will receive a fee of 0.56 per cent a year as well as a deferred fee of 5 per

cent, bas guaranteed the prininvestment is not known. Howcipal of investments, thus providing protection from risks such as confiscation. A subsidiary of AIG has invested \$30m in the Millen-nium Fund. A division of the Brunswick Group, the largest

nium Fund. independent equity broker in Russia, has committed \$30m in unquoted companies, either along with its clients.

the largest private investors in Russia. Mr Rausing sits on the the AIG anbsidiary, with Brunswick providing research and analysis. Mr Roger Gale,

or alone, in sectors such as to commit funds to Russia, natural resources, infrastrucwhich has conducted one of the biggest mass privatisation campaigns in history, and finally appears to have achieved financial stabilisature and consumer industries. The fund will be managed by tion. Moscow-based investment banks predict foreign money will flood into the Russian equity market if President Boris Yeltsin is re-elected.

be Asia.

when it arrived.

Well-oiled Elf unit a giant in niche sectors

Atochem successfully mixes specialisation with diversification, writes Jenny Luesby

ate during the good time

If Atochem, the chemicais arm of Elf Aqui-taine, the French oil producer, which will today announce a £100m (\$154.2m) investment in Scotland, is a company built on castor oil. Nylon 11, made from the darkleaved castor oil plant, is so much more resilient than other plastics, it is compulsory as the coating for lorry brakeliners. Elf Atochem is its only mannfacturer.

A product of the French state sector, Atochem has absorbed hundreds of chemical operations during its lifetime often by edict. But it has been ruthless about disposing of operations it does not want.

As Europe's second-largest plastics producer, behind BASF of Germany, it has retained only two types of businesses: those which add to its range of bulk chemicals, and those which command a colossal share in a niche market. one considers the difficulties of This fascination with the domination of obscure markets began 50 years ago with the lucrative nylon 11, but by 2000 irritates a haby. such products will account for two-thirds of the group's turnover, says Mr Jacques Puechal, Atochem's chairman. Analysts are inclined to

believe him. Ten years ago, speciality chemicals accounted for one-third of the group's sales. Today they equal one half, and the pace of expansion is accelerating.

Atochem has acquired 17 leading speciality business since 1986. It has also picked up clusters of unloved businesses and rebuilt them around a significant research and development programme. The group is now the largest producer of the glue used in disposable nappies: no mean feat, says vice-president Mr

Jean-Bernard Lartigue, when

On sales last year of FFr55bn producing a gine that keeps (\$10.6bn). Atochem reported operating profits of FFr5bn. The previous year, profits were FFr1.8bn. Some FFr1.5bn of working when wet, allows moisture through, and never It is also a leader in solid this improvement was attrifuel for rockets, the raw matebuted to a brief upturn in the rials for chicken nutrients, hair-perming fluids and catamarket for commodity plastics. For Mr Philippe Jaffre, who lysts for electro-plating. took over as chairman of Elf Aquitaine in 1993, this bonus) at the company is not only served to increase an

Balities. It will today interest in chemicals that has grown as the profit margins on unveil a 300,000 tonne a year oil refining have shrunk. polypropylene plant in Scot-land, as part of a joint venture The chemicals arm gener-ated cash of FF17.6bn last year. In the past, much of this would with BP. The French group already dominates the UK marhave been drawn off into the ket for polystyrene and is a group. Now, Atochem gets the leading PVC supplier. It will first call on such funds. now be the country's biggest It has already boosted its supplier of polypropylene.

adhesives and electro-plating Its commitment to these businesses. Its next priorities are acrybic acid derivatives and bulk plastics - notorious for their cyclicality - stems from the volume of cash they genersulphur derivatives. It is also expanding regionally. Bulk plastics will remain a Euro-

pean business, says Mr Pnechal, but as a speciality chemi-cals producer, Atochem is going global.

Last year, 36 per cent of sales were in France, 39 per cent elsewhere in Europe, and 25 per cent in America and Asia. By 2000 the company aims to achieve an equal three-way split. Much of this will be through duplicating European businesses elsewhere. Typical

are CFC-alternatives. Atochem is one of the top three producers in Europe and America. its next market will Atochem's earliest foray into the region, decades ago, was as a buyer - it still has castor off plantations in India and China.

The company's development may have been inspired by that early success, but it will return to Asia a far more sophisticated producer than

Daimler finance chief is added to investigation

By Wolfgang Münchau in Frankfurt

Stattgart prosecutors yesterday extended an investigation into last year's loss forecast at Daimler-Benz to Mr Manfred Gentz, the finance director.

The prosecutors' office said-vesterday that Mr Gentz was to be questioned about allegations that the company had withheld information about

ers has already filed a crimi-nal suit against Mr Edzard Renter, the former chairman. Mr Jürgen Schrempp, his suc-cessor, and Mr Hilmar Kopper, chairman of Deutsche Bank as well as of Daimler-Benz's supervisory board.

Daimler-Benz yasterday rejected the allegations as being without foundation. The prosecutor's interest in Mr Gentz originates in comments he made at the company's annual meeting last month. Mr Gentz said then that he had been in possession of a document setting out a forecast about the company's six-month losses a day before last year's annual meeting. But, be said, it had been an

internal document based on provisional "unfiltered and untested" data. The document was part of a normal monthly release schedule, detailing the company's exposure to exchange rates and the consequence of exchange rate shifts on earnings. It did not include data that were part of management board discussion.

The investigations against present and former top executives at Daimler-Benz came after a group of small shareholders, critics of the company's management, launched a criminal suit, alleging the company knowingly withheld important information from shareholders.

The company finally issued the loss warning several weeks later, maintaining that it was only then that it had a clear idea of the impact of the weak dollar, one of the main reasons for the sharp decline in operating losses.

NEWS DIGEST BBV to buy banks from Mexican state Banco Bilbao Vizcaya, the Spanish bank, is to buy Banca

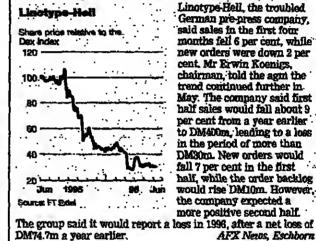
Cremi and Banco de Oriente from the Mexican government, the country'a National Banking and Securities Commission said yesterday. No price was disclosed. The acquisition, for which BBV has signed a letter of intent, would double the size of Grupo Financier o Probursa, its Mexican subsidiary, which or Grupo Financier o Froduisa, its mattain sciosadary, which runs the country's 10th-largest bank. BBV raised its stake in Probursa to 70 per cent in May. "BBV is looking for market share and wants to get a critical mass in retail banking," said Mr Alberto Sanchez, banking analyst at Bear Stearns Latin American Equity Research in New York, BBV appounced on June 3 its intention to purchase a 40 per cent stake in the Colombian bank Banco Ganadero.

Although BBV is expanding its assets, analysts think it the two banks, both of which have failed over the past two years, with the Mexican government retaining overdue loans for itself. Banca Cremi has been in the hands of government for itsen. Banca Cremi has been in a the flight of its owner, regulators for almost two years after the flight of its owner, Mr Carlos Cabal Peniche. Daniel Dombey, Mexico City

Bayer to invest DM18bn by 2001

Mr Manfred Schneider, chairman of Bayer, the German chemicals group, said the company would invest DMison (\$11.7bn) in the next five years, with DM7bn to be invested in Germany and DM11bn abroad. He told the daily Bild Zeitung that 31 per cent of sales were achieved abroad. He was optimistic the company would have a treatment for Alzheimer's disease within three years. AFX News, Frankfurt

Linotype-Hell warns of loss



Consob approves Mediaset plan

Consob, the Italian Bourse authority, said it had approved the prospectus for the initial placement offer of Finbroest's television subsidiary Mediaset. An international investment roadshow is expected to begin in Milan next week. About 20 per cent of Mediaset is expected to be sold, through both a capital increase and the sale of Fininvest's shares, which would lower its stake to below 50 per cent. The price is to be set between L6,000 and L7,200 a share.

Confident in Russia: former Tetra Laval chairman Hans Ransing is part of investment team

ever, since liquidating his shareholding in the family business, he has become one of

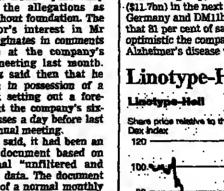
advisory board of the Millen-The fund's primary mandate is to make direct investments

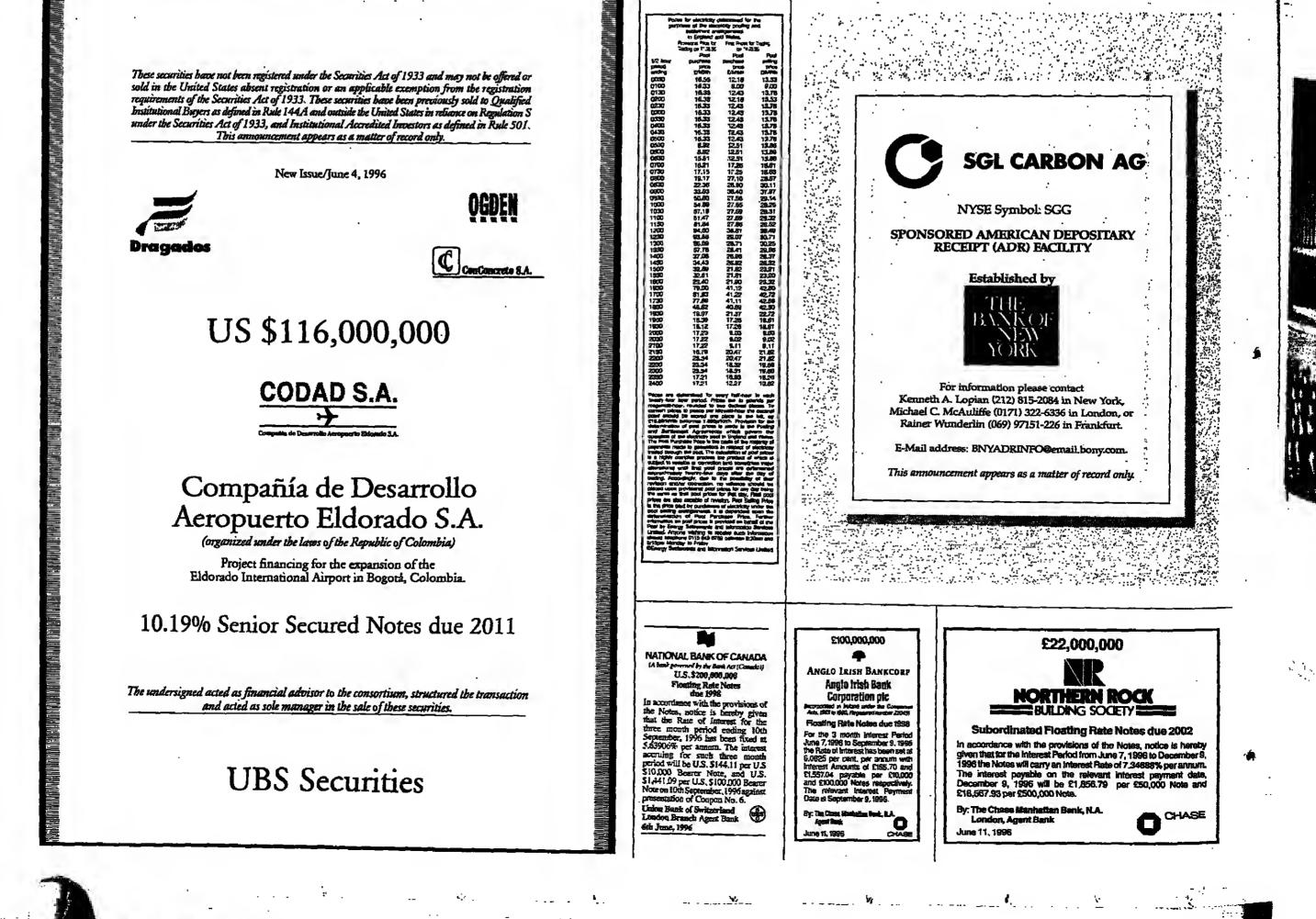
The size of Mr Rausing's alongside industrial investors

former bead of the International Finance Corporation in Moscow, will head the fund. An increasing number of western investors appear ready _ Debt market fund, Page 26

forthcoming losses at last year's annual meeting. A group of small sharehold-

AFX News Miles





FINANCIAL TIMES TUESDAY JUNE 11 1996 *

COMPANIES AND FINANCE: EUROPE

Kirch to unveil details of pay-TV service **Canal Plus** lodges bid

By Judy Dempsey in Berlin

Kirch, the German film and entertainment group, will today announce its pricing, marketing and programming strategy in preparation for the launch of its digital pay-TV service, possibly as early as

July. The announcement, to be made in Munich by Das Digital Fernsehen (DF1), the marketing division of the Kirch group, is aimed et convincing viewers. and advertisers that Kirch is ready to enter Germany's digi-tal television market well

ahead of the Bertelsmann group, which is developing a competing system. Bertelsmann and Deutsche

Telekom, Germany's stateowned telecoms group, are heading the Multi-Media Betriebsgesellschaft (MMBG) consortium, which includes ARD week

and ZDF, the two German state television channels, MMBG has been developing the technology for a decoding box, or "D-box", that allows viewers access to a wide variety of payper-view services. Bertelsmann said yesterday the system was "going through stals".

Separately from MMBG, weekend The belief is that two Bertelsmann had hoped to capture European audiences through a digital television alliance with Mr Rupert Mur-doch's BSkyB and Canal Pins, the French pay-TV group. But the alliance crumbled last

Today's announcement by Kirch puts an end - at least for the moment - to attempts by Mr Martin Bangemann, the European Union industry commissioner, to seek agreement on establishing one standard German decoding box follow-ing a meeting in Paris at the

competing systems would split the market; while this would give the consumer choice, it would in fact weaken Germany'e - and Europe's - abil-ity to compete with the US. Although Bertelsmann and

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Kirch officials have said they might be willing to find a com-promise, neither side trusts the other. Since Kirch appears mnch closer to the launch date, there is a feeling in Munich headquarters that it cannot wait for Bertelsmann. Kirch's two partners - Vebacom, the telecommunications is due to break even this year.

PROFILE

Saint-Gobain

13.13

Market value: \$19,60n Main listing: Paris

Historic P/E

division of Veba, the German industrial conglomerate, and Metro, Germany's large retailing and discount shopping group - are already in place. They will run the billing, collection, subscription manage-ment and sale of the D-boxes. Even if Kirch launches its digital service before Bertels mann, both groups still face the same problem: which way Premiere, Germany's only pay-TV channel, will jump. Premiere, owned jointly by Bertelsmann, Canal Plus and Kirch, has Im subscribers, and

for control of UGC DA By Andrew Jack in Paris

the second s

Canal Plus, the French pay-TV group, yesterday officially lodged with the stock market authorities a friendly offer to take control of UGC DA, the country's largest broadcasting

The group is offering one Canal Plus ebare for every four shares in UGC DA, which values the target at nearly FFr2.7bn (\$519.4m), based on the closing value of the stocks at the end of last week.

UGC DA, which is 25 per cent quoted, advised shareholders to participate in the offer. Discussions have already taken place between Canal Phys and the larger investors. which include the parent UGC film group, Paribas, the bank, and Générale des Eaux, the ntilitles and construction

UGCDA, which has a catalogue of 5,000 films, including 2,000 which are non-French, is Europe's second-largest con-troller of broadcasting rights, after Kirch, the German media group.

Canal Plus has been expanding into andio-visual rights, and already controls some 650 films, including the Carolco catalogue which it acquired earlier this year for \$290m. The battle for control of audio-visual rights is becoming increasingly important, as broadcasters seek material for a growing number of terrestrial and satellite stations.

Buropean film rights are particularly important, given that both French and EU regulations require a significant proportion of films broadcast on television to be of European orlgin.

Canal Pins launched its own digital television service by satellite for France at the end of April, and is part of an alliance with Bertelsmann and Havas which could lead to similar services across Europe.

It has developed its own encryption technology for pay-TV, but has stressed that the real competition is in content, not in technology market, so I am very confiwhere it has expressed willingness to co-operate with rivals.

NEWS DIGEST Skanska closer to acquiring target

19

Skanska, the Swedish construction company, said it had bought 29.2 per cent of the shares and 47.8 per cent of voting rights in Skaape Gripen, the building materials group, from Bure AB for SKr880m (\$130.3m).

Skanska said it was also making a public offer of SKrd2.50 for each A or B share, and SKr116 for each bonus share. The bid price amounts to a premium of just over 31 per cent for all series of shares over the average share price on the Stockholm

Stock Exchange during the past 30 days of trading. Midway Holding, which holds 6.8 per cent of the votes and 6.2 per cent of the capital in Skaane Gripen, has said it will accept the bid, according to Skanska. The company said the offer was conditional on it being tendered more than 90 per cent of Skeane Gripen's share capital and voting rights, although it reserved the right to complete the offer at a lower AFX News, Stockholm level of acceptance.

Raisio aims to match 1995 result

Raisio, the Finnish foodstuffs, animal feeds and chemicals group, said it was aiming to match last year's FM141m (\$29.9m) profit before extraordinary items. Raisio said it expected turnover of FM4bn, of which FM1bn would be generated abroad. For the first four months, profits before extraordinary items and tax fell from FM71.4m to FM38.3m, on sales up from FM1bn to FM1.2bn. Earnings per share fell from FM89.6 to FM51.5. Reuter, Helsinki

Creditanstalt warns on slowdown

Creditanstalt, the Austrian bank, boosted group operating profits by 40 per cent in the first five months to Sch2.6bn (\$240.8m), said Mr Guido Schmidt-Chiari, chairman. At the annual shareholder meeting, he said earnings growth would slow in the second half from last year's high base. But group net income after loan-risk provisions for 1996 would be above last year's Sch2.2bn. Eric Frey, Vienna

Strong sales at L'Oréal unit

Synthélabo, the drugs subsidiary of L'Oréal of France, expects 1996 sales to be more than FFr10bn (\$1.9bn) and oet profit margins to be 9 per cent. First-quarter sales were FFr2.616bn, up 15.1 per cent. AFX News, Paris

Nouveau Marché gathers pace

The Nouveau Marché, France's new stock market for fast-growing companies, should reach break-even at the latest by 1998, according the 1995 annual report from the SBF, the operator of the market. During 1995, it incurred losses of FFr3.8m ahead of its official launch in February this year. The SBF overall reported net income of FFr122m, down from FFr183m in 1994, reflecting low volumes of activity on the market. Andrew Jack, Paris

Egyptian bank offering

Up to 20 per cent of the share capital of the Commercial International Bank of Egypt will be offered to international investors next month, when the National Bank of Egypt sells part of its 42.6 per cent stake in CIB. The transaction will be the first international equity offering by an Egyptian company. ING Barings is the global co-ordinator of the deal, which is expected to raise \$80m to \$100m through the issuance of Global Depositary Receipts, for which a Loodon Stock Exchange listing has been requested. Samer Iskandar

How to diversify without becoming a conglomerate

Saint-Gobain's takeover of Poliet has not blurred its focus, chairman Jean-Louis Beffa tells David Owen

aint-Gobain is displaying Signs of becoming a con-glomerate, according to Salomon Brothers in London. [It is] retaining cash and diversifying excessively [and] becoming a difficult-to-value proxy on the overall economy."

This judgment - from Mr Arend Dikkers, a building materials analyst with Salomon Brothers - is evidently not one that finds favour with Mr Jean-Louis Beffa, chairman and chief executive of the French glass, ceramics and insulation company.

"This is not a conglomerate," be asserts a number of times in an interview in his 13th-floor office at the company's headquarters in the futuristic La Defense business district on the outskirts of Paris, "We are not a conglomerate. We shall not be a conglomerate. We shall not be in businesses, like Hanson, which are not related."

The "conglomerate" tag has arisen in the wake of last month's deal with Paribas, the French financial holding company, under which, Saint-Gobain is to take control of Poliet in a transaction valuing not get information useful for the building materials and. home products group at around FFr15.5bn (\$3bn).

The imaginatively structured deal will enable Saint-Gobain to take control of the manage-ment of Poliet while initially

buying less than 5 per cent of its capital. The rest of Paribas's 56.6 per cent stake in Poliet will be sold to Saint-Gobain in several stages between 1997 and 1999.

iomery."

The snag, in Mr Dikkers' view, is Poliet's focus on distribntion. "Saint-Gobain is an industrial manufacturing company which already has six to eight business units," he wrote in a paper circulated shortly after the deal. "With the acquisition of Poliet, 15 per cent of Saint-Gobain's business

will be in distribution, focused on builders' merchants and Mr Beffa sees this not as a problem, but an opportunity. "When yon are at the end-

market part of a business you know, it is going to be very useful for the development of the industrial part," he says. "When yon are in the specialised distribution of building materials, you know the consumer's needs. You are able to taks account of these needs to prepare the new products of the future. That is why it is helpful to be downstream. But it is no use being downstream in a business where you can-

your strategy." The acquisition of Poliet will also increase Saint-Gobain's exposure to its home markst. This, too, might be thought an ill-timed move, with the

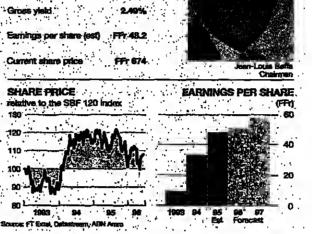
French economy still sluggish Bnt Mr Beffa is convinced Poliet can grow at a faster rate than the French economy as a whole. Poliet has low market shares," he explains. "If you expand the market shares, it's alright. With Saint-Gohain's other businesses, I am more linked to the average growth of the French economy because of my already rather large market shares. It is different with Poliet because I can expand my market share."

The deal is certainly a land-mark for Saint-Gobain in terms of sheer size. In the decade since privatisation, turnover has been stnck between FFr60bn and FFr80bn, largely because of the sale of businesses such as the paper and

wood operations in 1994. Adding Poliet's 1995 sales of more than FFr22hn to the group's existing turnover puts it within sight of crossing the FF7100bn sales threshold. One of Mr Beffa's chief aims in his 10 years at the helm of

this venerable company, which traces its origins back to 1665 and the foundation of Louis XIV's Royal Glass Works, has been to make it less cyclical. "Everything I have done has been to reduce the cyclicality of the business," he says.

"Everything I have done is to enough businesses now. I am going only to maks small make it more international." Last year, the proportion of acquisitions, strengthening each of these businesses. These group turnover accounted for



deals are going to add value by France slipped as low as 29 per cent. The company then had more employees in North because of the immediate synergies with existing busi-America than in its home market. With the Poliet acquisi-Meanwhile, he appears to be tion, Mr Beffa says he is "putwinning the conglomerate

ting the counter back to zero". debate. "If you tried to value The company's next expansion, each division. you would get a he adds, "is going to be inter-national-oriented again". valuation very much in line with the current share price," Not that he appears to have concludes Mr Emilio Alvarez, an analyst with Morgan Stanany really large targets in his sights. Acknowledging that ley. "There is no discount, Saint-Gobain still has the Why? Because people don't financial capacity to make a think it is a conglomerate." \$1bn acquisition "withont a Since the announcement of the Poliet deal on May 7, Saint-Gobain shares have outper-formed the Parls stock marproblem", he says in the next breath: "But I am not going to do that." ket's benchmark CAC-40 index He continues: "I have by around 8 per cent. "I think that is the trus response of the

dent." Mr Beffa says.

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IN A SENSE, ALL CREATIVITY IS COLLABORATIVE INTEGRATED FINANCINGS Hicks, Mose, True & Furst In the presence of a close, collaborative relationship, nourpaned substantiel value can be added. Hicks, Muse, Tate & Chancellor Broadcaving Furst spotted and quantified the opportunity: multiple radio station ownership in an attractive operating climate SSIRLARMAN resulting from deregulation. Working with Hicks, Muse, Secured Credu Facilities Tate & Furst through several iterations of growth, we Series Subsediment Notes Exchangeable Preterred Stock structured a series of unique, integrated financings that CLos A Common Stuck comhined bank debt, high yield subordinated debt and & Bankers Trust preferred stock, and ultimately, an IPO. Throughout this process, over a two year period, Bankers Trust raised more than \$800 million of capital in the leveraged finance market. The result is Chancellor Broadcasting Company, today the third largest pureplay radio station group in the United States. For Chancellor Broadcasting Company, Bankers Trust's flexible and integrated financing solutions added incremental value at every step and helped our client assemble a blue chip portfolio of radio stations across the United States. To discuss how we might work together with you to design an equally innovative solution to your financial services needs, please contact us Bankers Irust

EDERE FLARE Indo Rama Synthetics US\$50m GDR HI Cement ING Barber Corporation ING BARINGS US\$127m IPO ING BARINGS **UNMATCHED** (RIA) **Kis** Motors IN ASIA USS80m Convertible Bond ING BARINGS Few banks in Asia can match us ING A BARINGS for the quality and the breadth of our activities. ING BANK ING BANK N.V. ING C BARINGS NLC 160.000.000 1 per cent. ING Basil Emerging Asia Bonda CATHAY PACIFIC ING Berlag **Cathay Pacific US\$814m** Purchase of Shares by ING **CTTIC Pacific** ING ... BARING6 ING BARINGS ING BANGKOK + HONG KONG + JAKARTA + KUALA LUMPUR + MANILA SEOUL • SHANGHAI • SINGAPORE • TAIPEI • TOKYO coved by ING Baring Securities Littlized, regulated by the SFA Member of ING GROUP

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Cepa aims to list its Philippines power plants

By Edward Luce in Manile

Consolidated Electric Power Holdings (Cepa), the energy subsidiary of Hopewell Holdings of Hong Kong, plans to spin off its five Philippines power plants into a separate. company which will be listed on the Philippines stock exchange in the next 10. months

The planned initial public offering was announced yester-day by Mr Gordon Wu, chairman of Hopewell Holdings, at the opening of Cepa's 700MW coal-fired plant in Pagbilao, 120km south of Manila. It would enable Philippines investors to acquire a stake in the country's largest independent power producer.

"It is premature to say how

much we plan to raise." Mr Wu said. "We plan to group them Although it submitted the lowest bld, Cepa's US\$2hn ten-der was disqualified because it [the five power projects] in to one big infrastructure comincluded technology from pany which can take on new infrastructure projects. We Westinghouse Electric of the US, which at the time was banwant to make it a local comned from the Philippines owing pany." The offering would add to to a legal dispote with the the small oumber of foreign

government. companies with a Philippines The dispute has since been resolved, but the government says it will press ahead with its plans for a re-bid for the plant later this year. Mr Wo said the incident had "left a bid the incident had "left a listing, including Shell Pilipi-nas, the local arm of the Anglo-Dutch oil group, and Keppel Philippines. the Singapore shipyard group. It would enable to Cepa to raise cash bad taste in the mouth" but would not prevent Cepa pro-ceeding with its IPO by 1997. locally, Mr Wu said. The final go-ahead for the listing would depend, however,

Philippines analysts said yesterday the Cepa Philippine list-ing would be well-received. "Cepa is a good company with on resolution of a 12-month-old dispute with the government over its disqualification last year of a Cepa bid for a a strong international reputa-

tion," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "Cepa's shares might be a lit-

tle unexciting though, because its projects operate on a guaranteed return basis, with guaranteed cash flows and guaranteed yields. In other words it would be a safe but somewhat

COMPANIES AND FINANCE: ASIA-PACIFIC

conservative bet." Ceps is credited with having ended the Philippines "brownout" crisis three years ago, when power shortages lasted up to 12 hours a day. Under the country's build-operate-trans-fer laws, the Hong Kong company was able to restore permanent electricity supply to most of Manila within mooths. The standard BOT contract lasts 25 years before ownership is handed over to the state.



Gordon Wu: Philippines investors will be able to take stake

NEWS DIGEST **Telekom Malaysia** buys mobile unit

Telekom Malaysia, the country's dominant telecoms group, is. buying the telecoms unit of Malaysian Resources Corp in a move to increase its penetration of the fast-growing mobile phone market. Telekom said it would buy the entire 200m shares of MRCB Telecommunication for M\$640m (US\$256m) at an unspecified date. The deal will add MRCB's 11,500 cellular phone subscribers to Telekom's 96,000, strengthening the former monopoly in its weakest area. It also presents a challenge to Technology Resources

Industries and its partner-to-be, Deutsche Telekom of Germany, TRI is the nation's biggest mobile phone operator. Deutsche Telekom signed s letter of intent last month fo acquire 20 to 32 per cent of TRI for about \$1.2bn. Mr Mobel Said Mobd Ali, Telekom's chief executive, said the company planned more acquisitions and was in negotiations with two or three companies. James Kynge, Kuala Lumpu

Than Industries, India's largest watch maker and part of the Tata group, posted a 29 per cent rise in operating profits to R8775m (\$22.3m) on the back of a 25 per cent growth in turnover to R83.51bb in the year to March. Net profits, however, grew only 9.88 per cent to Rs276m as interest costs jumped from Rs218m to Rs342m and depreciation claimed

Re157m, against Rs131m a year earlier. Earnings per share rose from Rs5.93 to Rs6.52. The company has proposed a higher annual dividend of Rs3.3 a share, against Rs3. Earnings from exports rose from Rs188m to Rs374m. Mr Xerxes Desai, managing director, said the improvements came despite delays in setting up a chain of jewellery boutiques and the high cost of opening up the Eunal Bose, Calcutte Suropean market.

Teck Corporation, the Canadian mining group, is to invest In two small Australian goldmining groups. It said that it would spend about A\$6m (US\$4.75m) on a 15 per cent stake in the Perth based Camelot Resources group, which produces about 80,000 ounces of gold a year from the Mt Gibson mine. The Vancouver based group will also fund almost Asim of exploration work at Pine Creek. In the Northern Territory, by Northern Gold, in which Camelot holds a 40 per cent interest. Teck will receive shares and options in Northern. It will also have the right to earn a 50 per cent interest in Northern's regional tenements in return for funding a feasibility study there, should a reserve of more than 400,000 ounces be established. Nikki Tait, Sydney

Infrastructure spin-off plan hits Cheung Kong shares

By Louise Lucas

Shares in Cheung Kong feli yesterday after the property developer announced initial details of the proposed spin-off of its infrastructure business. Tha flotation will raise between HK\$3.1bn and HK\$3.5bn (US\$452m), analysts were told yesterday.

Cheung Kong Infrastructure well Holdings set a record with (CKI), which takes in power the HK\$5.9bo flotation of its

plants, bridges, highways and construction materials busi-nesses in China and Hong Kong, is the latest hived-off power projects, Consolidated Electric Power Asia (Cepa). The CKI shares are to be sold at a discount of between 5 per infrastructure company to tap cent and 15 per cent to the net the market for funds. asset value, which will put a price tag of between HK\$11 and HK\$12.65 on the new shares. New World Infrastructure was spun off at the end of last year from the developer New Ninety per cent of the issue World Development, raising will be placed internationally

and the rest in Hong Kong. But while Cheung Kong's HK\$1.8bn, In late 1994 Hopeshare price fell from HK\$56.25

All of these securities having been sold, this advertisement appears as a matter of record only

to HK\$55.50, analysts who attended yesterday's more detailed presentation - given after the market closed believed there were more benefits for the parent than CKI. Chaung Kong will retain around 70 per cent of CKI after the listing and the new company will have total assets of HK\$17.1bn-HK\$17.6bn. One analyst said: "You are

talking about very little dilu-

tion. The entire book cost of these projects is only HK\$1.7bn - the new money is equivalent to that and they will still own some 73 per ceot of the company." Analysts noted that more

than 70 per cent of CKI's profits this year will come from the group's cement and concrete activities in Hong Kong. One broker said: "Quite a few people, including me, are quite sceptical about the construction business. Profit growth is fuelled by the infrastructure boom in Hong Kong. They [CKI] supply a lot to the new apport, and the private sector is also very buoy. ant. But after the infrastruc-

ture boom - which will probably end in 1998 when the new airport is finished - will further growth be achievable?" CKI says it is addressing this by looking at opportunities elsewhere in the region, such as the Philippines.

The size of the issue means heavy oversobscription is unlikely, and brokers further claim the issue has not been charpy priced. Stock will be offered on a price/earnings ratio of 18.5 to 21 times 1996 earnings. New World Infra-structure, preferred by many for its wider exposure - for example, it is in the container terminal business - trades on a p/e ratio of about 20.

But the price received, at

Citic Pacific plans to channel

HK\$13.30 a share, or a 6 per

Citic Pacific reduces HK Telecom stake

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of Beijing's main domestic and international investment vehicle, yesterday faelled speculation it would aviation." sell out of Hongkong Telecom by disposing of a further 2 percentage points of its stake in the colony's telecoms carrier. The sale of 226.17m shares, which raises HK\$3bn cent discount to Friday's clos-ing price of HK\$14.15, was ebarply below the HK\$14.35 achieved in January. (US\$388m), comes just five months after it sold another 2

managing director of Citle water treatment plants at Pacific, said the sale - to an undisclosed third party - was purely commercial. "Somebody Nanjing and Wuxi in China, The group has a conservative gearing, of 15 per cent, which will drop to 10 per cent was willing to buy at a price we considered very reasonable, after yesterday's sale, and we have refocused our Hongkong Telecom has been the focus of much speculation in the colony since the merger business somewhat towards

Moreover, the deal engi-neered between the commer-

cial arm of China's aviation

ership shake-up to better prepare it for the transfer of sovereighty to China next year. One possibility being distalks between British Telecomcussed in the market is that China's Ministry of Post and munications and Cable and Telecommunications will be Wireless, majority holder of Hongkong Telecom, collapsed.

effect handed China a slice of

Hong Kong's aviation market -

has led many observers to

believe Hongkong Telecom will

have to undergo a similar own-

brought in. Citic Pacific, having taken a big atake in Cathay Pacific, is regarded as being less likely to rced into representing

SAKS FIFTH AVENUE

Common Stock (par value \$.01 per share)



	3,162,500 Shares		its stake to 8 per cent. Mr Vernon Moore, deputy	recently announced infrastruc- ture projects, in particular	Cathay Pacific, the colony's de C	e coerced into representi hina's interests in telecon s well.
This partian o	of the offering was offered outside the United States by the	undersigned.	Dect			
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CIBC Wood Gundy Securities		Deutsche Morgan Grenfell	companies reported sharp rises in recurring profits - before	Source: Companies		
Dresdner Bank - Kleinwort Bo			for the year to last March.	To cot costs, Nippon Life said it had reduced executives'	which posted a strong increase . re	On the investment si cord low mouey market ra
ndosuez Capital	Nikko Europe Pic	Vickers Ballas & Co Pte Ltd	The improvement was due to increases in asset management revenues, but the companies continued to face low invest- ment returns as a result of record low interest rates. Companies such as Dai-Ichi	pay by 30 per cent and planned to eliminate 2,000 jobs over the next two years, while Sumi- tomo also pledged to cut 2,000 jobs and trim borus payments for employees by 4 per cent. For the current year the life	after a 15 per cent rise in ai income from individual peo- sion insurance. an Although other companies on also benefited from increases in premium revenues for indi- vidual pension insurance, they find	fected investment yiel ince the insurers have verage annual rate of inter 1 their liabilities of about er cent, they have been for 0 realise earnings on sect as and cut interest on n
			Mutual Life and Sumitomo Mutual Life posted profits on domestic bond and foreign	was expected to be flat or	insurance contracts. pa	olicies and withhold divide syments.
	12,650,000 Shares		securities sales, boosting asset management revenues.	lower than last year. Unrealised gains on stock boldings, which are not	the eight companies totalled th	Insurers said that apart from the promised yield, some 40 per cent of their polici
This portion	n of the offering was offered in the United States by the und	ersigned.	Costs on asset management declined due to the recovery in	included in profit and loss statemeots, rose sharply	increase from the previous ho year. Insurance benefit pay-	olders would not be paid t
Goldman, Sachs & C	0.		the Tokyo stock market, which helped cut appraisal losses on stock holdings. Chiyoda	Tokyo stock market.	Net profits were affected by eig	Overall investment in f
CS Fi	rst Boston		Mutual Life returned to the black after posting losses in	on shares jumped from	ers reported a total YI,641.5bn cu	cause of caution over forein arency losses. The combin
	Morgan Stanley 8	Co.	the previous year - the first leading life insurer since 1945 to do so.	Y11,466.2bn (\$105bn).	Y564.1bn to the <i>jusen</i> housing as loan companies, and wrote off Y6	lance of foreign curren sets fell 8.9 per cent 5,966.5bn at the end of la arch.
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			Rohans Rhodes, Centre City Towers, 7 Hill Streat, Breingtants BS 41.07	Assets Cash and cash equivalents	Liabilities and Shar	
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All in S t, they have been forced itan acqui ise earnings on securid cut interest on new and withhold dividend ers said that apart from

mised yield, some 40 to cent of their policywould not be paid the vidends. all investment in forFINANCIAL THES TUESDAY JUNE 11 1996 *

COMPANIES AND FINANCE: THE AMERICAS

forge alliances with regional

partners to capture a share of

the market, Empresas Polar.

Venezuela's food and beverage.

While large brewers such as Anbeuser Busch, Heineken

and Miller have entered the

Latio American market

through local partners, Polar

feels unhurried and is betting

on gradual, calculated expan-

sion with no ontside assis-

very difficult to bite a chunk

out of someone else's market,"

says Mr Lorenzo Mendoza, who

heads the Polar group's execu-tive board and is one of the

He adds that in almost all

Latin American countries "the

market is dominated by oos or

two usually very strong play-ers". Putting a dent in their market share is a tricky busi-

ness. With the wroog approach, he says, "yon can

Polar itself has been fending off inroads into the Venezuelan

market by Brahma, the Brazil-

ian brewer, but maintains 95 per cent of the market.

Polar thinks little of strate-

gic alliances. "We don't believe

in third-party producers or dis-

tributors," says Mr Mendoza,

"nor in acquiring a market's

third or fourth-ranked pro-

This meeting brings together for the first

time senior officials from public

administration and key players in the telematics and IT industry.

Two doys of presentations,

demonstrations and discussions an the role of public administration in the Information Society.

Organised by the European Commission IDA programme which implements

trons-European public administration networks.

principal shareholders.

ose your shirt".

"In the beer industry, it's

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group, remains a lone wolf.

Kellogg joins price war in US breakfast cereal market

By Richard Tomkins in New York

The price war in 1e US breakfast cereal mark escalated yesterday as Kelcg, the biggest cereal copany. slashed the prices of me of its top-selling product by up to 28 per cent.

The company tried put a positive spin on th cuts, announcing them wit a fanfare in New York. Et they were seen as a defense move following steep price uts in April by Philip Morr's Post subsidiary, one of Fllogg's biggest rivals,

Kellogg acknowleded the price redoctions woul result io a slump in earnigs per share from 77 cents to5 cents in the second quarter) June, and said it expected mnings per share for the full yir to be no higher than last ye's.

US cercal companic share prices fell as WallStreet responded to the threas tum-bling profits. Kelloggvas off \$2% at \$72 in early ading. Geoeral Mills fell \$1% > \$55%, and Ralcorp, a large aker of private label breakfastereals. dropped \$% to \$23%.

Separately, Elcorp announced it expectesprofits Flcorp to fail this year becau of the "negative pricing treds". It streamlining initlated last



Arnold Langbo and Tony put a positive spin on the cuts

said it was cutting 100 jobs as year. This included a 15 per part of a plan to trim costs by cent cut in the US workforce. \$25m-\$30m a year.

However, Mr Langbo acknowledged that the com-Kellogg said prices to retailers would fall by an average of pany had also seen a fall in its 19 per ceot oo brands compris-ing about two-thirds of its US market share since the deci-sion by Philip Morris in April business. It said the price of to cut the prices of its Post and Nabisco branded cereals by an average of 20 per cent. Philip Morris also reduced the distri-**Kellogg's Frosted Flakes**, its best-selling product in the US, would fall 18 per ceot. The company said it would also cut the distribution of

hution of coupons. US cereal companies have traditionally maintained high money-off coupons. Only 2 per ceot of the coupons printed list prices for their products, but lowered effective prices at the check-out with coupons were redeemed, it said. Mr Arnold Langbo, Kellogg's chairman and chief executive, special offers. Their and change in strategy has been forced by increasing competi-

said the price cuts had been made possible by cost savings achieved through a global tion from lower-priced products and private label brands.



Empresas Polar pursues a lone course

Source: The Brisners and Lice ducer. You may be able to acquire a minority share in a tion system leading company, but it's very rare that the number one or two company sells out or gives you the necessary control of their husiness."

In the meantime, Polar kicked off its own expansion plan into the neighbouring markets last August, when it refitted one of its plants close to the border with Colombia and began exporting to its

western neighbour. Avoiding capital costs of a oew plant but investing in its own distribution system, Polar captured 15-30 per cent of the market in the extended frontier region that it reaches. The key to penetrating new some years ago.

markets as well as maintaining control over the Venezuelan market, says Mr Mendoza, is you don't have a good bas you can lose a lot of money." As traditional consumar behaviour changes and more Venezuelans drink beer at

21

home rather than in the neighbourhood tavern, Polar has moved into the retail business, acquiring a share in two department stores as well as a sopermarket chain.

The group's sales last year reached a record \$1.8bn, roughly 60 per cent of which came from beer. Polar has long since reached its growth potential in Venezuela's domestic beer market and for some time has been developing other export products.

Altagracia vineyards, which

ing division. The company has snack food operations in nine countries, has begun exporting comflour to Colombia, and will soon expand its rice and corn processing by acquiring plants in Colombia and Peru or set up

doza, and unlike the beer market, it is not dominated by a few strong groups.

Raymond Colitt

Repsol has to dig deep to win Astra

By David Pilling in Buenos Aires

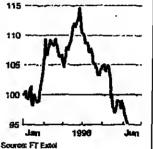
Repsol has finally foun a firm toebold in South Amera. But the \$360m paid by the panish bydrocarbons conglomate for a 37.7 per cent corrolling stake in Argeotina' fifth biggest energy groutraised eyebrows in Buenos Aps.

The market, ouselves included, was surprise by the high price paid by fosol -\$3.11 a share, far abovene curreot price of \$2.35," sd one analyst at the localBanco República. The bank es oot believe Astra's fundmentals justify a price of me than

2.10 to \$2.20 a share. But Astra proved a mtalis-ing balt for many. J?. Mor-gan, which negotiated to sale, is reported to have hi talks with several comanies, including Texaco and obil of the US, as well as Argatina's YPF and Perez Compar.

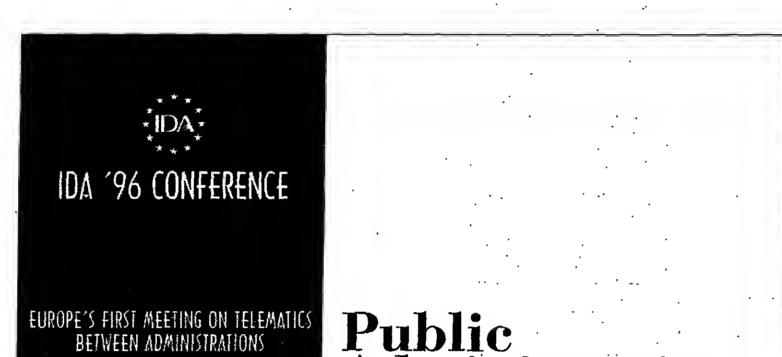
Such interest allowenegotiators to drive up th price, with the \$360m final ofr valu-

are price rela tive to the Madrid General Index



vice station group, as well as participation in a refinery, the Buenos Aires gas distributor Metrogas, electricity companies and a shipping fleet. As well as the assets, Astra will give Repsol important experience in Latin America's most deregulated energy environment. Analysts say this

could prove invaluable if Rep-sol is to increase its Latin American preseoce as the cootinental energy market deregulates.



the company's own distribualso to maintain utilisation of capacity between 75 and 90 per It allows Polar to target marcent Yet transportation costs inhibit reaching more distant markets, and Polar does not keting efforts, and have direct contact with customers, as well as to ensure freshness and

constant supply of the prodoct. Unlike other regional and see exports accounting for much more than the current 5 international beer companies which target up-scala consumper cent of total sales. In order to reach further west into Colers with massive advertising campaigns, Polar's no-frills advertising strategy is out to Bogota market, Polar is now considering a \$130m green-field operation in Colombia coovince by cost and quality.

The company is cost compet-itive, says Mr Donald de Vost, Polar's chief. financial officer, because it is reaping the bene-fits of having invested heavily in automated production lines

Timely expansion of produc tion plants to anticipate future demand has allowed Polar to increase sales continuously but

diar (EU Other (10)

bia, including the important

"If you have less than 10 to 15

per cent of the market, the big

players will squeeze yon ont. If

filet share (%), 1994

Once the production of its were started from scratch just over a decade ago, exceed domestic demand next year, the dry whites and champagne

will hit international markets. Yet the largest growth poten-tial lies in Polar's food-process-

r.Mendoza caotions that setting up a green-field operation its own plants there. "Food processing has enor-mous potential," says Mr Menonly makes sense once a certain market presence has been gained and have the market has been thoroughly studied.

ing the 37.7 stake at : times Astra's proportional emings Repsol, which has interests for 1995.

In addition to Astra'oil and gas stakes, which reresent about 5 per cent of Agentine production, Repsol gains Astra's operating conact in the substantial Quianre-La Ceiba oil field in Venezela. Astra also has a 32.5 r cent stake in Eg3, Argetina's fourth-largest retail ad ser-

in Mexico, Colombia and Venezuela, is also boping to enter the Peruvian market. Peru's government is today due to announce the winner of an auction for a 60 per cent stake of La Pampilla refinery, in which Repsol is participating as part of a consortium with Mohil and YPF.

Forstmann in \$1.4bn healthcare acquisition

By Lise Bransten in Ne York

Community Health Syems, a Tennessee-based bospit managemeet company, aged yes-terday to be acquired t Forst-mann Little, the Ne York huy-out firm, in a deavalued at \$1.4bn including det The deal is Forstmar's first

venture into the hetbcare sector and its larges single investment.

Forstmann will put 3 Sibn of its own capital - nedy half of the \$2.3bn it recentl raised for new acquisitions- and Chase Manhattan, ti New York bank, will provic \$900m in loans.

In early trading, sires of Community Health ros\$8% to

ξ.

cent premium to their closing price on Friday. Founded in 1985, Community Health has focused on buying hospitals io rural areas that dominate those markets. Community said it intended to continue acquiring hospitals in rural areas and had no plans to move out of its niche. The deal will provide the hospital company with \$500m to step up the pace of its acquisitions. Community Health said it would retain its management team.

Forstmann's offering price of \$52, which represents a 20 per

to begin a tender offer for shares today and complete the acquisition in July.

Bain Hogg nternational Limited Lloyds Chambers Portsoken Street London E1 8DF Telephone 01' 680 4000 Pax 0171 301 4158

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Report in England No. 255182

Forstmann said it intended

EUROPEAN COMMISSION, DIRECTORATE GENERAL III, INDUSTRY INTERCHANGE OF DATA BETWEEN ADMINISTRATIONS PROGRAMME

Administrations and the Information Society

Challenges and Actions in a Changing Europe

Rome, Italy Palazzo dei Congressi June 20-21, 1996

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LEX COMMENT

Pre-emption

NatWest to buy Greenwich for \$600m News Intl

By Nicholas Denton

22

National Westminster Bank is expected today to announce a \$600m acquisition in the US designed to further the UK clearing bank's ambitions to develop a leading international securities business.

NatWest, in its second acquisition in the US within a year, is acquiring Greenwich Capital Markets, the Connecticut-based broker, from Long-Term Credit Bank of Japan, the country's

leading lender. Greenwich will give NatWest a position in the trading of US government bonds and related derivatives. in addition to the UK group's equities business, and the corporate finance boutique run by Mr Eric Gleacher and acquired last year.

The funding for the acquisttion, which is expected to cost \$600m once executive stock options are realised, will come from the disposal of NatWest's retail operations in the US,

announced last year, NatWest, tor to the largest US investlike at least a dozen European commercial banks, is seeking to reduce its exposure to retail banking and increase its presence on the securities markets on which corporate clients increasingly finance them-

Before its latest acoulsitions. it had lagged behind Barclays de Zoete Wedd, the investment banking subsidiary of Barclays Bank, in establishing itself as a credible international competi-

ment banks. NetWest, which was advised

COMPANIES AND FINANCE: UK

by its own corporate financiers, including Mr Gleacher. was identified a month ago as a potential acquiror of Greenwich, among several other institutions.

LTCB acquired Greenwich for \$140m in 1988. Even after 1980s. seconting for the yen's appreciation, it will enjoy a substantial profit. The proceeds from the transaction, on which

arm plans LTCB was advised by JP Morgan, will assist in covering LTCB's losses in lending. digital In September last year, the bank's bad loans totalled about broadcast

Y1,300bn (\$12.4bn), 6.7 per cent of its iotal lending. Most were accumulated from lending during the years of the so-called By Raymond Snoddy bubble economy of the late News Digital Systems, the

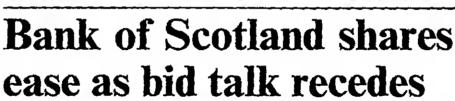
technology subsidiary of Mr Rupert Murdoch's News Inter-Greenwich employs more than 400, serving 2,000 customers, with average daily clearing national, is planning to launch. digital data broadcasting on volume in excess of \$20bn.

an experimental basis. The company will distribute a wide range of information, such as the complete elec-tronic text of national newspapers or the most popular sites on the World Wide Web, to PCs in a matter of seconds.

"We are trying to act as a catalyst to demonstrate what the technology can do," said Mr Abe Peled, chief executive of News Digital, put together from the advanced products division of National Transcommunications and News Datacom, specialists in conditional access systems for satellite television. Mr Peled, a former senlor executive at IBM. believes the delivery of vast amounts of information by satellite is abont to become an important business

Specifications have already been put to manufacturers with the sim of producing a card retailing at \$250 to plug into PCs, so they can receive the buge bursts of informa-tion. News Digital has no plans to be an information supplier other than to kickstart what could turn out to be a new, cost-effective medium. Mr Peled says investment per potential user can be reckoned in tens of dollars, against more than \$1,000 for the two-way alternatives promoted for the "superhighway".

News Digital is also working with DirectTV in the US, which is planning to launch a similar product next year in a joint venture with Microsoft.



on sales up 33 per cent to

£1.09bn, reflecting improve-ments at Malton bacon and St

lvel spreads and dairy products

in the UK and a first contribu-

tion from France. BSE would

have no significant impact on

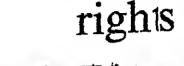
Profits from UK dairies fell 8

per cent to £35m on turnover

Wincanton's operating prof-

this year's earnings.

By George Graham, Banking Correspondent became known that Standard's competitor, Royal Bank of stake was for sale. Even after Scotland, had been blocked by



Even the Labour party, it UK ritts lesues appears, has cottoned on to the illogical rules governing Amounalised (Ebn) UK pre-emption rights. Cur-

rently, if a company wants to make an acquisition, it can issue up to 25 per cent of its share capital without needing shareholder approval – as long as it pays in shares. But if it wonts to issue choras for each it is issue shares for cash. it is restricted to 5 per cent. More than that, and it bas to launch a rights issue at a discount to the market price



MITON

and pay a 2 per cent under-writing fee for the privilege. The concern is that along with these fixed underwriting commissions - already being with these listed under writing contained in an early being investigated by the Office of Fair Trang - pre-emption rights are inflating the cost of capital for hish companies. While this is hard to prove, it is certain true that the UK is stronger in industries with little nd for capital, such as pharmaceuticals, publishing and funchanagement, than capital-intensive ones like cars and shiphilding.

The best way of ensuring a competive cost of capital is to introduce competition. A standard this issue may well be the most appropriate way of raisingmoney. But companies should also be free to use book biding, bought deals or deeply discounted, non-underwritterrights issues. Relaxing re-emption rights from 5 per cent to more liberal 25 per cent of share capital would produce greer flexibility and still leave really big deals subject to sharolder approval.

Strong European growth hebs Electrocomponents

By Christopher Price

Electrocomponents, the distributor of electronic, electrical and mechanical components, yesterday unveiled a 15 per cent rise in annual pre-tax profits from £86.1m to £99.2m, (\$150.8m) as it reported strong growth across its UK and continental European markets. However, the groop cau-tioned over repeating the same rate of growth in the current first half after reporting a moderate downturn in demand in Europe's leading economies. Mr Roy Cotterill chairman

denti profits growth.

Ektrocomponents distrib-

utest45,000 catalogues in the UK, nd carries 63,000 product line During the year, it put its stalogue on CDRom and the ternet. In:urope, profits rose 60 per cento \$6.4m on sales 40 per centuhead at £106.1m. There was led strong growth in its

burroning south-east Asian operions, where sales rose 25 per cent, although profit grown was pegged to 12 per centat £3.7m on sales of £18.8.

Price war holds Unigate set to expand back Salvesen

Consumer Industries Editor Unigate yesterday primed

By Roderick Oram,

By Patrick Harverson

The UK supermarket wars took their toll on Christian Salvesen, the distribution and specialist hire group, which yes-terday reported a drop in pre-tax profits from £104.1m (\$158.23m) to £77.6m in the year to March 31.

Although the decline was exaggerated by a big gain from disposals the previous year, pre-exceptional profits remained virtually flat at £76.6m (£77.7m).

Profits from continuing activities were £1.7m higher at £80.7m, on turnover of £770m (£646m)

The £1.8m drop to £43.4m in operating profits at the group's logistics business underlined the problems Salvesen is encountering in the UK grocery distribution market, where cut-throat competition between supermarket groups has squeezed margins bard. The business was also affected last year by the switch to Sun-day trading, which lifted costs.

In addition, deregulation of the German transport market left the group with trading

investors for continental acqui-sitions in foods and distribusumer and industrial logistics tion as it reported a 7.5 per continued to grow strongly. cent rise in underlying profits helping Salvesen further reduce its dependence on food to £125.3m (\$190.5m) for the distribution, which last year accounted for 31 per cent of the year to March 31. With £171m net cash thanks European business, against 53 to disposals last year, Unigate per cent in 1993. In contrast to the situation.

losses of £2m. Fortunately, con-

(£9.1m),

(8.4p).

in Europe, US food distribution contributed an 8.4 per cent increase in profits to \$13.9m Aggreko, the division which rents out power generators and air conditioners, performed

pan-European logistics. strongly, with profits climbing 20 per cent to £30.7m. The unit's largest market is the US,

where it has won the contract to provide power and temperature control equipment to this tive. year's Atlanta Olympic games. Institutions would support The aummer drought's

impact on vegetable produc-tion was behind a 12 per cent fall in food services processing volumes, which left profits Buckland said

Earnings per share were 18.8p (26.8p), from which a final dividend of 5.15p will be paid, making a total of 8.65p

is looking for targets to build on its existing activities in dairy products and spreads or to take it into new areas. In distribution, it is prepared to double the size of Wincanton. its logistics business, as it helps its customers develop "We rejected a share buyback because we see a number

of opportunities to invest wisely in the business," said Mr Ross Buckland, chief execu-

acquisitions after management succeeded in reshaping the group with some £900m of disposals or small acquisitions over the past five years, Mr

£1.5m lower at £6.6m. The pre-exceptional figure was slightly ahead of most forecasts. Net exceptional gains totalled £173.7m, within which a £59.5m loss on disposal

The pre-tax figure emerged down 3 per cent at £466m. at £299m (£58.3m). Operating profits from fresh its rose 6 per cent to £23m.

the exhibition company.

There were net exceptional

losses of £58.3m in the previous

year, of which £55.1m was for

restructuring its dairy busi-

Ian Martin, chairman: looking for continental targets of its US restaurants partially food rose 49 per cent to £49.3m offset a £212.3m gain on the sale of its stake in Nutricia, the Dutch foods group, and £22.1m from the disposal of Giltspur,

the above company now under special liquidation in accordance with article 46a of Law 1892/1990, by virtue ol Decision No. 11675/1995 of the Athans Court of Appeal and following the relative instructions of the

ETBA FINANCE S.A.

FINANCIAL AND ECONOMIC SERVICES S.A.

(formerly GREEK EXPORTS S.A.)

ANNOUNCES

A REPEAT INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER

FOR THE SALE OF THE ASSETS OF A LEKKAS & BROS, TEXTILE CO. S.A.

ANNOUNCES

a repeat international public auction for the highest bidder with sealed, binding offers for the sale of the assets of A.LEKKAS & BROS. TEXTILE CO. S.A. either as a whole or per each of the following functional units:

The four (4) self-contained functional units for which separate offers can be made are:

- 1. A factory in the Antikalamou Community of Messinia (5 km. from the centre of the town of Kalamata) which includes a plot of land \$1,500 sq.m. In area on which a building of 22,000 sq.m. has been eracted and in which a cotton spinning factory with a capacity of 26,362 spindles, yarn spinning and dyeing plants have been installed with necessary storage space.
- 2. A factory on 10 Kontoyanni Street in Kifisala which includes e plot of land 10,972 sq.m. in area on which a building 13,000 sq.m. in area has been eracted and in which a weaving plant and e dyeing and linishing plant for woven fabrics, a print-dyaing unit and a finishing plant for wootlen fabrics have been Installed together with the necessary atorage space. Included in the above production unit, besides the factory, are stocks of raw materials, finished goods, existing claims and three of the company's londes described on page 19 of the Memorandum.
- A factory on 30 Averatif Street, Nea Ionia, (Perissoe), Attica which includes e corner plot of land 2,260 sq.m. in area on which e multi-storied building 8,000 sq.m. in area has been erected and in which are installed a dyeing-finishing plant for yams and fabrics and a print-dying unit. This factory also contains storage space for the storage, movement and wholesale selling of the enterprise's tabrics, yams, etc.
- A factory on 38 Averoff Street, Nee Ionia, (Perlasos), Attica which includes e plot of land 6,303 sq.m. in area, facing the road on three sides, on which a building 8,000 sq.m. In area has been erected and in which ere installed a knitting plant, a ready-made clothes plant, a yarn elasticising plant and the company's administrative offices and financial services and a sales point for ready-made clothes.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

In 1960, the brothers Athanasios, loannis and Forios Lekkas founded A. LEKKAS & BROS. O.E. which In 1970 became a société anonyme (S.A.) and which in 1972 absorbed G. LEKKAS & CO. O.E. (n 1987 h merged with MESSINIA SPINNING S.A. to produce a new S.A. with the name A. LEKKAS & BROS. TEXTILE CO. S.A. with the object of manufacturing and selling weavable natural, synthetic and artificial fibres for spinning, weaving, knitting, dyeing, ennobling and clothes manufacturing.

TERMS OF THE ANNOUNCEMENT

- The present Auction shall be carried out in eccordance with the provisions of enticle 46a of Law 1892/1990 as complemented by article 14 of Law 2000/1991 as in force today, the terms contained in the present Announcement and the terms contained in the relative Ottering Memorandum regardless of whether or not they are repeated in the present Announcement. The submission of a binding offer implies acceptance of all these terms.
- Each interested party is invited to receive from the Liquidator the detailed Offering Memorandum and ask for any other information concerning the company under liquidation following a written promise of confidentiality.
- Interested parties are invited to submit a sealed, written and binding after to the Athens notary public assigned to the auction, Mr Andreas Bouyoukos, 4 Gambetta Street, Athens, Tel. (301) 380.8152 up to 12:00 noon on Thursday, 11 July 1996.
- Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered. Offers must not contain terms upon which their bindingness may depend or which may be vagua with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the craditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than others, or ignore such terms and exceptions, in which case the offer remains binding as far as the rest of its contant is concerned.
- On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operating in Greece, valid until its return (a specimen of the letter of guarantee is contained in the Offering Memorandum), to the amount of:

a) 300 million drachmas for the total assets

- b) 150 million drs. for the first production unit (Kalamata factory)
 c) 70 million drs. for the second production unit (Kifisale factory)
- d) 30 million drs. for the third production unit (30 Averoff St. Perissos factory)
- e) 50 million drs. for the fourth production unit (38 Averoff St. Perissos factory)
- The offers will be unsealed before the above-mentioned notary in his office at 13:00 hours on Thursday, 11 July 1996. All persons having submitted offers within the time limit are also entitled to attend.
- The submission of the relative offers of participation binds tha buyers to the commitment of keeping the Kalamata and Kifissia factories in operation for at least five (5) years.
- On ell the points contained in the offers and on any other terms that may be agreed upon (job positions, amount of investments, length of time of operation, etc.) the buyer must accept clauses and other security which will guarantee acherence to his commitments.
- Essential guidelines for the evaluation of the offers are:
- a) The size of the amount offered as possible
- The number of job positions available
- The business plan and particularly the amount of investments to be made
- d) The standing, business expension, creditworthiness and reliability of the interested parties.
 e) The security provided for the settlament of any balance of the offered price on credit, and for the execution of any remaining terms under commitment.
- 10, in the avant that payment is to be credil, the current value will be taken into account and will be calculated at a fixed rate of interest for all offers, this being the rate in force, at the time of automission of the offer, for interest-bearing Greek State bonds of a year's duration with annual compound interest.
- 11. The highest bidder is the one whose offer has been judged by the liquidator and by the creditors who represent more than 51% of the company's obligations, following the proposal of the figuidator, as being the most satisfactory to the creditors of the company under liquidation.

Bank of Scotland's share price the price remained higher than slipped yesterday when Stanbefore the announcement. dard Life, the insurance company, quelled speculation over a possible bid by announcing that it would sell most of its 32.2 per cent stake through a secondary offering, rather than to a single bidder.

Soundings over the past four weeks failed to drum up a bidder willing to pay above market price for the entire stake. The bank's shares had

profits of £51m last year, but

the group's focus has been on Kenya, Zambia, Zimbabwe,

in First Bank, Nigeria's oldest

and largest bank, was cut by

nationalisation in the 1970s.

In 1994 the government's

majority stake was sold to the

Nigerian public, leaving Standard Chartered, with 38 per

cent, as the largest sbare-

To avoid this status Stan-

dard Chartered sold down to

9.9 per cent, worth about N495m (\$6m) but it has now

cult. United Bank for Africa

faces the same threat but its

main offshore pariner. Banque

Nationala de Paris, has retained its 30 per cent stake.

ings in banks only one multi-

national has acquired a major-

holder but without control.

Botswana and Ghana. Standard Chartered's share

Standard Life will pick an investment bank in the next week to co-ordinate the sale of a substantial part of its 1940m (\$1.43bn) stake to a syndicate of institutional investors through a book building exercise

£155m from Barclays Bank in 1985, not long after a hostile bld from Hongkong and Shang-

Commission amid a blaze of Scottish economic nationalism. Early hopes that the alliance might lead to a more concrete partnership have produced little. But Bank of Scotland's strong profits record has helped the stake to grow sixin Bank of Scotland

Heril said last week's cut in UK base £42min cash, a fall of £20m on rates had been "absolutely necessary" to stimulate demand. Turnover rose 18 per cent to £559.9m. In the UK, which accounts for two-thirds of group revenues, operating prof-

MLawson said the company wont use its cash pile to completits European distribution coveage, with gaps in the Nethrlands and Belgium to fill, s well as expanding its presice in the southern Mediterriean region.

Soth-east Asia also remared high on the agenda for ither investment.

							discustered and	and the second se	The second second second				
StanChart					a-tau			- Canoni	Date of	Divienda Comonika	Total for	Total last	ľ
1 33		Terme	ner (Em)		AL (Roal)	8	5 (p)	payment (p)	payment	diend	year	YOUR	
to sell	Acal Yr to Nar 31 Benjafard 6 anths to Mar 30	136.8	(108)	10.2	(8.21) (11.1♥)	30.1 6.5	(25)	5.65 1.5	Aug 1 July 19		8.4	7.44	
-	Care UK 6 milts to Mar 31	9.53	(6.55)	1.65	(1.16)	3.161	(2.07)	0.33	July 15	5		0,75	
Nigerian	Cropper (James) Yr to Mar 30	57.5	(49.7)	1.85	(2.57)	13.7	(16.8)	2.6	Aug 16	3	3.9	3.7	
11201141	Den Valley Water Yr to Mar 31	11.8	(11.5)	5,81	(4.454)	40.32	(24,94)	6,67	July 25		14.5	10.617	
	Dominion Energy	0.587	(0.168)	3.31L	(0.114L)	7.23	(0.3L)				-		
stake	Electrocomponents Yr to Mar 31	555.9	472.6	99.2	(96.1	15.8	(13.7	4.6	Aug 12		6.6	5.625	
Slake	Bectrooic Data 6 rotte to Mer 31	7.8	(6.3)	1,51	(1.81)	3.93	(4.55)	0.667	Aug 5	67		2.15	
	Ensor Yr to Mar 31	15.3	(14.7)	0.448	(0.404)	1.5	(1.4.)	0.25	Aug 2	2	0.45	0.2 7.8 7.7	
D. C	Eurodollar	86.2	(85.9)	3,76	(14.8)	6.15	(19.97)	1	Aug a	2	4.12	7.8	
By George Graham in London	Field	201	(157.8)	16.2	(15.4)	24.2	[20.2])	5.7	Sept 23	?	8.5	7.7	
and Paul Adams in Lagos	Food Circle lades Wr to Mar 31 JOC last & 6 matter to Mar 31	1.39	(6.02)	0.645	10.9771	0.8211	(1.831.)	9.1	Oct 1	15	0.1	0.25	
a the second	Renoted Yr to Mar 30	172.3	(0.541)	16.7	(0.064L) (11.6)	1.7	(11)					-	
Standard Chartered, the	Rowfinson Secs	13.8	(12.9)	3.31	(2,79)	1864	(13.6) (14.03)	4.5 2.26	Aug 6	3	7 * 257	4.5	
UK-based international bank.	Salvesan (C)	700	(646)	77.8	(104.19)	18.8	(26.6)	5.15	Jd 24	23	2.57	2.34	
plans a public offering to sell	600	146.3	(116.8)	13.4	(5.744)	20.7	(9.2)	3.25	Abr S Abr 16	-	8.65	8.4	
its remaining 9.9 per cent	Silvence 6 mithe to Mar 31	8.82	(8.58)	0.303	021	2.1	(18)	1.3	AUG 2B	2	•	2.6	
stake in First Bank of Nigeria.	Treatt	15.9	(13.5)	1.31	(1.52)	9.16	(13.43)	1.6	Oct 4	1		2.0 5.6	
Standard said the decision to	Unigate	2,134	(1,893)	299	(58.34)	113.2	(16,8)	12.55	Aug 5		19.2	18.2	
	Widney S mithe to Mar 3D	18.8	(18.7)	0.71	(0.96)	4,02	(5.03)	1	Oct 7	0.95#	13.2	3.4375	
pull out reflected its policy of	Wynestay Prope @ Yr to Mar 25	1.53	(1.28)	0.373	(0.247)	19.3	(72)	3	July 23	S	4.5	4	

focusing on its core interna-tional hanking businesses. Emitings shown basic. Dividends shown net, Figures in brackets are for corresponding period. After exceptional cliarge. Wafter exceptional credition increased capital. Water stock. African subsidiaries returned

Phytopharm, a specialist in turning herbal remedies into modern medicines, yesterday announced encouraging results from clinical trials of its lead product, a treatment for the skin disease eczema, writes Clive Cookson.

eczema had not responded to current theraules.

have been sold through Fisons to Rhône-Poulenc Rorer. It is

Allders shareholders reject BAA's offer

Since the Nigerian govern-By Christopher Brown-Humes ment last year removed the 40

per cent limit on foreign holdity stake in a local bank: UK department store group. Citibank, which now has 75 yesterday, after Aliders share. Aliders shareholdera for per cent of the successful holders voted to reject a £130m approval in the first week of Nigerian International Bank. offer for the unit from BAA. July. Citibank, which now has 75

the airports operator. The rejection was expected The way was cleared for after Aliders last week agreed Swissair to acquire the duty-free business of Allders, the to Swissair for floom in cash. to Swissair for £160m in cash. This deal is likely to be put to THE DONGYANG DR.GON TRUST International DepositarReceipts

I find primary objective of the first is to prove the transfer white objective of the first and the securities issued by company of the Republic and listed or to be listed on the Stock Exchange."

INTERPRETATION

All references in the Trust Deed to the "Bart of Shares" or the "Basket Shares" shall be deleted. Save as anended hereby, the provisions of : Trust Deed shall remain in

Voting arrangements for IDR-holders

DR-bolders who wish to vote must follow the flowing procedure: If the IDRs are held in an account with Eurocleand CEDEL. IDR Holders must contact EUROCLEAR or CEDEL instruct, them to block the IDRs at the DR-Holder's account until conclusion of threeting and specify the meaner in which the votes attributable to the ID, should be cast. manner in which the votes attributable to the 1D, should be cast. If the IDRs are not held through Euroclear or Cel, IDR-Holders must ensure that their voting instructions, together with eitheheir 1DRs or their bank's confirmation of deposit (including IDR serial nobers), reach the Depositary at the latest on June 18 at the address given belo (attention Securities Department - telephone 322 508 86 42 - telev 252 MORBKs).

Copies of the Annual Report are available from a Company's registered office and the Depositary at the address indicateselow:

Depositary: Morgan Guaranty Trust Company New York 35, Avenue des Arts, 1040 Bruss J P Morgan

license application for Zema-

Phytopharm floated on the also developing medicines for London stock exchange in less severe skin disease.

Zemaphyte, an extract of 10 phyte this month. The com-plants used in traditional Chi-nese medicine, produced a ket for Zemaphyte as a "highly significant" reduction treatment for serious eczema

decided to sell the remainder. First Bank and the three in the symptoms of 65 petients at more than £300m a year. in seven UK hospitals, whose European marketing rights other ex-state-owned commercial banks also face a government threat to take back con-

trol through the compulsory acquisition of a "golden share". This has depressed the banks' shares and will make a flotation of Standard Chartered's remaining stock diffi-

April Its shares were then priced at 175p. valuing the company at £54m. Yesterday they closed up 50p at 268p. Dr Richard Dizey, chief exec-utive, said Phytopharm expec-ted to submit a UK product

Eczema trials boost for Phytopharm

RESULTS **StanChart**

Standard bought its stake for surged above 270p after it hai Bank for its Edinburgh

fold. Today it accounts for some 7 per cent of Standard's UK equity portfolio. "It has been a superb investment," Mr Bell said. Standard Life is expected to keep a small stake expanding the product line had

£75m on sales 15 per cent

higher at £358m. Mr Robert Lawson, chief executive, said while margins had remained steady, increased expenditure in new warehousing and in

last year, which was doe largy to investment in a new warnouse in the UK. its increased by 12 per cent to

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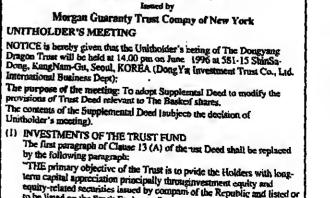
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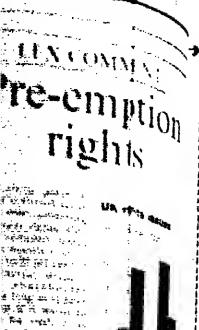
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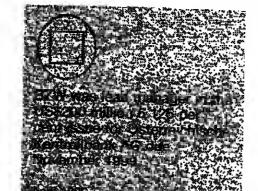
FINANCIAL TIMES TUESDAY JUNE 11 1996

BZW was lead manager in the pM250 mittion 5 L25 der punt issue for The Republicasi Austria dae May 2004 April 1996

. MANDING

SBANK RHEME

BZW was interest manager in the £400 million 7.625 per cent issue for European investment Bank due December 2006 January 1996 2 States States & Sta



Der Berting Corporation B2W was lead manager to the US\$500 million floating rate apterisple for Westpac Banking Corporation due April 1996.

March 1995

ISSUERS

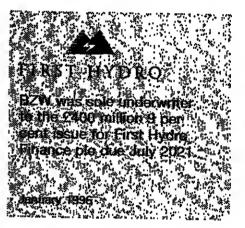
Morgan Guaranty Trust Co of New York BZW was lead manages in the US\$275 million 6 percent IS\$12 for European Investment Black due April 2000; BZW was lead manager in the A\$135 million 8 per cent issue for Morgan Guaranty Trust Co of New York due April 2001. March 1996

> NATE NATION CONTRACT **General Motors** Acceptance Corporation of Canada Limited

> -BZW was lead manager in the C\$100 million 6.75 per cent issue for General Motors Acceptance Corporation of Canada Limited due December 2001.

February 1996

Emopean Bank BCW was joint lead manager in the OM1,000 million 4.875. per cent issue for European Blank for Reconstruction and 1360-66 mmorn Development due February 2001. **Serving 1996**



BANA

23

Alational BZW was joint lead manager in the US\$500 million floging rate note issue für National Australia Bank Limited due February 1997. POIN WALL Jermany 1996 January 1996

ABBEY **I NATIONAL**

BZW was joint lead manager in the DM250 million 4.625 per cent guaranteed issue for Abbey National Treasury Services plc due February 2000 January 1996

2003) - C. 92011

Bank Austria BANQUE INDOSUEZ BZW was lead manager in the BZW was lead manager in the DM250 million 4.5 per cent Issue for Back Austria AG due December 1999 £150 million floating rate note: issue for Banque Indosuez due January 1999

January 1995 المدارين والمرأة المعرفة فأستر مريدية أفار

State Bark NSW and the second BZW was lead manager in the A\$100 million 7.75 per cent issue for State Bank of New South Wales due February 2001.

Japuniy 1995

INVESTORS

Condesbank Schleswig+fotstein Grozenhole BZW was load manager in the US\$290 million 5.375 per cent Issue for Landesbank Schlaswig Holstein Girozentrale due Rebruary 1999; 4 4 2 2 11 January 1995 Maria Maria Maria

BZW was lead manager in the E230 million 8,5 per cpnt issue for BAA pic due March 2021 Manage 1996

GE Capital ECW was lead manager in the Dinglog million 4.5 per cent Issue for General Electric Capital Corp due December 1999 January 1906

NVESTMENT BANKING. FRO Μ Α T Ο



REGULATED BY SHA AND MED.

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A DIVISION OF BARCLAYS BANK PLC

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Judgments in complex fields

ings. The actual refusal to allo

cate was in accordance with

the European rules then in

force. These had subsequently been held to be invalid by the

The Council of Ministers

then adopted new legislation to

invalidity in national legal

systems depended directly on

European law as it stood in the

system was a complex one.

circumstances.

and Rupert Ecroyd, ECJ 5CH,

BRICK COURT CHAMBERS.

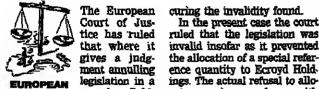
June 6 1996.

BRUSSELS

court in the Webrs case.

LAŴ

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complex field. COURT - euch as milk quota legislation, it does not require or enable member states to disapply the offending legislation in other cases before further European legislation has been adopted. Nor does the judgment itself give rights to individuals which

may be relied on. The case arose out of pro-ceedings brought by H&R Ecroyd Holdings and Rupert Ecroyd against the Ministry of Agriculture. Fisheries and Food in the English High Court.

They claimed that provisions of the European milk produc-tion quota scheme, which excluded them from the grant of a special reference quantity, were invalid.

The UK court stayed the proceedings and referred to Luxembourg two questions: whether the regulation in question was invalid; and, if so, whether the UK had a power or duty to award a provisional special reference quantity to the two applicants in the light of an earlier decision of the court in another milk quota case and before further legislation had been enacted?

The UK court also asked whether if the UK had such a power or duty, the applicants were in principle entitled to damages for the refusal to grant such a special reference quantity and how damages were to be assessed.

This case was the latest in a series of decisions by the court concerning the legality of European provisions concern-ing the allocation of milk quotas to producers who had earlier participated in the temporary non-marketing system set up by the European Union, and who had not delivered or sold milk during the reference year adopted for the

allocation of quotas. Several aspects of the legisla-Fernand Schockweiler tion had already been declared invalid by the court and following these decisions further European legislation was adopted with the intention of 61

Isetan honorary chairman Kosuge ready to bow out Kuniyasn Kosuge, the 51-year-old great grandson of the founder of Ise-

*

tan, the prestigious Japanese department store chain, will resign from his ruled that the legislation was post as the retailer's honorary chairman later this month. invalid insofar as it prevented Kosuge, who took over from his the allocation of a special reference quantity to Ecroyd Hold-

father as Isetan's president in 1984, was forced to give up his post to Kazumasa Koshiba in 1998. With one of his major projects, a tie-up agree-ment with Barney's of New York, having turned sour, he has volunteered to step down from his current role. The Japanese retailer is currently embroiled in a legal battle against

cure the invalidity, but this was only a partial implementa-Barney'e over the tie-up arrangement. In 1989 Kosuge and the Pressman fam-By made an agreement whereby the New York retailer supplied Isetan with its expertise. Isetan in return tion of the judgment in the Wehrs case and still excluded Ecroyd Holdings. Could Ecroyd funded Barney's expansion in the US. However, since Kosuge gave up the Holdings rely on the Wehrs judgment and so receive an helm, the new management has refused to continue pouring money allocation, even though it was not covered by the amending European legislation? into Barney's. In the year to last March, isetan posted its first net loss since it was listed in 1961, due to The court ruled thet it could not. Having stated that the conclusions which could be write-offs of its loans to Barney's. drawn from such a ruling of

ON THE MOVE

light of that ruling, the court observed that the milk quota James Buckley, senior vice president and president of APPLE COMPUTER's It therefore concluded that Americas division, has following the ruling in Wehrs. but before the relevant legisla resigned after 11 years with the group. Under a reorganisation, tion had been amended, the six executives will report to Gilbert Amelio, Apple's state of the law relevant to the present case did not of itself chairman and chief executive. and withont readjustment of that system, permit the alloca-They include Marco Landi, chief operating officer, George Scalise, chief administrative tion of a special reference quantity to a producer in the situation of Ecroyd Holdings. officer who joined Apple in March; Fred Anderson, chief Before the adoption of furfinancial officer, who joined on ther European legislation intended to cure the invalidity April 1; Satjiv Chahil, senior found in such a case, the comvice president for corporate marketing; and Douglas petent national authority Solomon, vice president for strategic planning, Amelio will serve as chief technical officer therefore had no duty to award a special reference quantity to producers who found them selves in the same or similar pending the appointment of a permanent incumbent. Janusz Sliwocki has stepped. C-127/94: R v Ministry of Agri-culture, Fisheries and Food, ex down as president of parte H & R Ecroyd Holdings

MEBLL the Polish furniture maker, for bealth reasons. A successor will be chosen after July 25; Julian Nnckowki, a board member, is acting president. Kathleen Browne has been elected vice president and

The president of the European Court has announced the death Co of the US. on June 1 of the Luxembourg judge, Fernand Schockweiler, has replaced Otto Loepfe,

Kosuge's departure will be finalised at a shareholders' meeting on June 27. Ever since Isetan was founded by Tanji Kosuge in 1886, the Kosuge fam-ily has reigned over the retailer. Kosuge's resignation from Isetan's board will cut all remaining ties except a 0.43 per cent stake held by the founding family. Rmiko Terazono

Cheung adds Macau

Cable and Wireless, the telecommunications group, is continning to beef up its management in the Asia Pacific region. Linus Cheung (left), chief executive of Hong-

Sciences Portfolio. Timothy

Miller is to manage the \$750m

Invesco Growth Fund as well

as the the \$800m Invesco

Dynamics Fund, where

Douglas Pratt has resigned

\$447m Invesco Strategic Financial Services Portfolio.

Harry Klagsbrun has been

appointed CEO of Alfred Berg,

the Swedish investment bank

director and head of corporate

Carl-Diedric Hamilton who has

been appointed chairman of

the global equity directorate

AOL EUROPE, the joint

venture of Bertelsmann and

America Online, has appointed

CEO since April 1995, who will

Bertelsmann, Wermelinger was

most recently vice president of

director for British Telecom's

Communications, has been

ANS, the data networking

director of marketing for

Europe at CSC (Computer

named president and CEO of

subsidiary of America Online.

Roy Dingle has been named

Currently deputy managing

owned by ABN AMRO.

finance, he succeeds

within ABN AMRO.

Heinz Wermelinger as

president and CEO. He

become executive vice

succeeds Bernd Schiphorst.

president of multimedia at

marketing at AOL Europe.

Bruce Bond, managing

National Business

Dalton Sim takes charge of the

Macau, the local telephone operator for the tiny Portugese colony off Hong Kong.

the development of the telecoms busi-ness in both Hong Kong and Macau. CTM is a private organisation in which C&W has a 51 per cent stake.

One2 One in the UK, took the new post of chief executive, Asia Pacific operations, with responsibility for Indonesia, Thailand, Singapore and the Pacific Islands. Alan Cone

HK monetary move

Norman Chan, who last week became the third deputy chief executive of the Hong Kong Monetary Authority (HKMA), the colony's de facto central bank, is a high flier who takes on the newly created post at a key time one year before Hong Kong reverts to Chinese sovereignity.

Chan, 41, is the only locally born Chinese deputy: his colleagues, David Carse and Andrew Sheng, are respectively British and Malaysian Chines He attended university in Hong Kong and rose through the ranks of government to become deputy director of the Office of the Exchange Fund, a body which merged with the Office of the Commissioner of Banking to form the HKMA in 1993.

ator business formerly owned by Brit-He found himself in the spotlight ish Leyland and bought out by early last year, when the Hong Kong

> Service Deutschland and will Sciences Corporation). He is be replaced by Horst the former European Bueltmann and Lutz Heyer. marketing director at Andersen Consulting and a Peter Di Giammarino, 42, vice president and business former director of IBM Europe. area manager at American James Ringler, 50, PREMARK president & chief operating officer, becomes Management Systems, has been appointed president and president and CEO following chief operating officer at HYPERION SOFTWARE. demerger of Tupperware Jack Witmer, 65, has been Corporation. He replaces appointed president of Warren Batts, who continues MCGRAW HILL's educational as chairman of Premark and publishing group. Addison chairman and CEO of 'Buzz' Ellis, 49, succeeds Tupperware. Paul Sacher did not stand Witmer as president of Glencoe/McGraw Hill. for re-election to the board of William Biggar, senior vice ROCHE at the recent annual general meeting but has been president of The Horsham Corporation, has been appointed an honorary appointed senior vice member. Lukas Hoffmann and Jakob Oeri have stepped down president investments, of from the board. Rolf Hänggi, a vice president and member of BARRICK GOLD. Raymond Protti has the board of directors at Zurich assumed the position of Insurance, Andreas Oeri, and president and CEO of the André Hoffmann, have been CANADIAN BANKERS ASSOCIATION, succeeding elected members of the board. Leung Chun Ying, managing Helen Sinclair. He was most director of C Y Leung, has recently federal deputy been appointed a non-executive agriculture minister. director of HONGKONG Sergio Goldman has been ELECTRIC. appointed as head of PARIBAS Helmut Woelki has been CAPITAL MARKETS and BBA. appointed chairman of LSG **CREDITANSTALT's joint** equity research venture in LUFTHANSA Service Holding. Brazil, Before joining Paribas, **Guenter Roethig becomes** Goldman was managing deputy chairman and Marc Bamberger joins the board. director of Brazilian equity Woelki and Roethig are research for two years at Bear

stepping down as managing

directors at LSG Lufthansa

employees and management in 1987. government - in company with many After the purchase by Calsonic in governments around Asia - was faced with an attack on the currency in the wake of the Mexican peso crisis. In Hong Kong Chan was widely credited product range.

1989, Reilly became president of Calsonic International (Europe). Under his leadership, the operation has tripled sales to £150m, extended its man-ufacturing base and broadened its Reilly's elevation comes hard on the per ir:

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heels of the appointment of Henry Wallace, a Scot, to the presidency of Mazda, the Japanese carmaker con-trolled by Ford. Haig Simonian

Simon beefs up board Simon Engineering, the restructured Simon singlessing, the restatuted UK group which last year returned to profit, has appointed two non-execu-tive directors to the board of its Aus-tralian subsidiary, which is also to have a new managing director in August when light August when Lionel Hanney steps aside. His successor is Nigel Bowra, 52, who joins from Baulderstone Hor-nibrook Engineering, However, Hanney, 65, will stay on with the Australian company as deputy chairman.

The two new non-executive direc-tors are Richard Woolcote, a former diplomat who was most recently secretary of Australia's department of foreign affairs and trade; and Tony White, a former executive director of Mount Isa Mines.

> managing director of EDISON GAS (part of Montedison), has been elected chairman of the company. II Joseph Kaminski, 57, has been elected to the board of AIR PRODUCTS AND CHEMICALS. John Jones, 45, currently president of air products Europe, becomes

> executive vice president, gases and equipment, Robert Gadomski, 49, executive vice president, chemicals, and Ronaldo Sullam, 55. takes over as president of air products

Europe, Chr Bjelland, 42, president of Chr Bjelland & Co in Norway, has been elected chairman of **EVAERNER** ASA; the holding company for the Kyserner . group. He succeeds Kasper **Kielland**. Director Svein Ersk Amundsen has been elected as deputy chairman. He is vice president of shipping company Bergesen.

> International appointments.

Please fax announcements of new appointments and . retirements in +44 171 873 3936, marked for International People.

Paolo Melacini, previously 141. Sheiti

Set Dax to Time ...

Shelly Schwab has retired as president of MCA TV, but will remain on the board as a consultant to the syndication division of MCA Television Group. No replacement has yet been named. Joel Manby, a regional manager for General Motors' Saturn unit in the US Midwest, rises to president and chief executive of SAAB CARS USA. John Hunt becomes regional manager of LEHMAN BROTHERS' Asian bond business, in a move described as part of its strategy to maintain an active role in the region's growing debt markets. Before joining Lehman Brothers a year ago as a senior derivatives specialist, Hunt was a director at CS First Boston with responsibility for Asian emerging markets risk management Deep Kapur has been appointed as director and chief regional strategist for SALOMON BROTHERS' Singapore-based Asian equities business, with a remit to develop the firm's regional equities investment strategy. Carol Werther, a portfolio manager at Rothschild Asset Management, joins John

SWARZEDSKIE FABRYKI

controller of W.R. GRACE & Philippe Bruggisser, chief operating officer of Swissatr,

Swissair's chief executive, as chairman of CROSSAIR.

2 3

Schroer as co-portfolio

manager of the \$1.2bn INVESCO Strategic Health

Kong Telecom, in which C&W has a majority stake and which is the principal source of the UK group's profits, has been appointed chairman of Companhia de Telecommunicacoes de

Cheung will thus be responsible for

INTERNATIONAL PEOPLE He takes over there from Peter Bur-leigh, who goes to the new position of director of China development. Cheung's new responsibilities come only as matter of weeks after Richard Goswell, formerly head of Mercury

with fending off the speculators. His new portfolio will include monetary management, market infrastruc-ture and - possibly the stiffest challenge, as endeavours to date have been largely fruitless - developing the debt market. Louise Lucas

Reilly breaks through

Michael Reilly, a senior executive in Europe for Calsonic, the leading Japa-

nese car components group, has been

promoted to the board, making him

one of the handful of European man-agers to reach the boardrooms of

major Japanese companies. The appointment, which must still be confirmed at Calsonic's annual

meeting this month, crowns a long career in the motor industry, starting

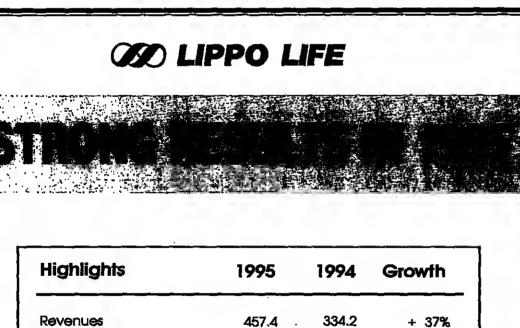
with Vauxhall Motors, the British

present employer came about more by accident than by design, following the

Japanese company's acquisition of Llanelli Radiators, the Welsh car radi-

However, Reilly's transfer to his

subsidiary of General Motors.



Revenues	457.4	334.2	+ 37%
Net income	20.1	10.8	+ 86%
Total Assets	630.7	409.7	+ 54%
Premium Reserves	467.3	268.2	+ 74%
Investable Funds	570.9	369.9	+ 54%
Total Equity	147.7	130.5	+ 13%
Earnings Per Share (Rp)	417	224	+ 86%

(Ruplah in billions except Earnings Per Share)

"With the best brand name recognition in the market, together with a strong sales force and international partners, Lippo Life is looking to an even brighter future.

> Billy Sindoro President & CEO

"Lippo Life has emerged as a life insurance leader in Indonesia."

Sudwikatmono Chairman

Nation to the Bondholders

A TECO

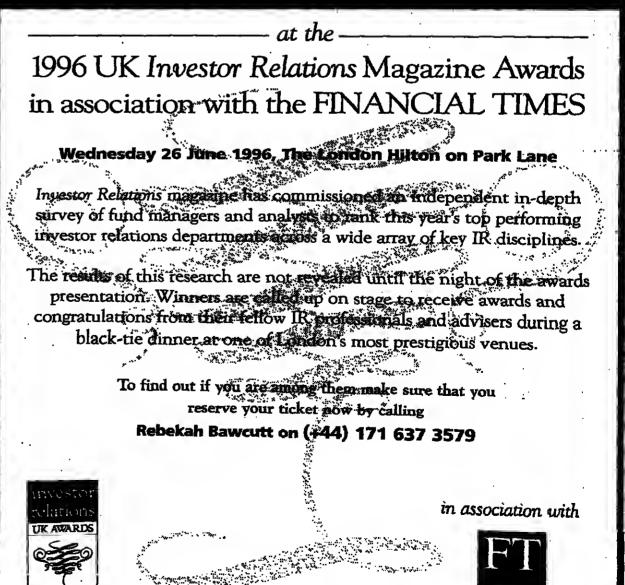
TECO Electric & Machinery Co. Ltd US\$100M 2,75% Bonds due 2004

CITIBANC



Taking stock of this year's investor relations success stories

Stearns.



FINANCIAL TIMES

Sponsored by: BT Teleconference, Services, Busnups Ltd. Busnup Marsteller, College Hill Darome Jeles as creating, Infolman Finance I, Irmanual Times, Facus Communications with an The London I manual News, The Mannest Voilon Agency, The Royal Bank of Scittand

COMMODITIES AND AGRICULTURE

Raw jute shortage forces closure of Indian mills **Copper trading** calmer at LME By Kunal Bose in Calcutta An acute shortage of raw jute

By Kenneth Gooding, Mining Correspondent

Volatility in the copper market caused hy a ferocious struggle for supremacy between some of the biggest metal merchants and the biggest US hedge funds eased a little yesterday. But analysts suggested that it might be the quiet before another storm - one that might be triggered when the London Metal Exchange releases datails of copper stocks today.

Some analysts remain convinced that China is short of copper, will start buying substantial quantities soon and expect this to show in the LME statistics before long. Others say rumours of potential Chiuese buying have been in the market for so long they are no

By Kenneth Gooding

ment is likely within two or

three years to double the US\$170m it has so far provided

to back mining and metals ven-

tures in the former eastern bloc. according to Mr Stephane

Baverez of the EBRD's natural

EBRD 'likely to double

backing for CIS mining'

longer credible.

the closure of several jute mills in India. Others are trying to LME stocks are still very ightly held and anyone short cope with worsening fibre supply by reducing the number of of metal for delivery on a particular date in the near future shifts and also the working hours per shift. An Indian Jute Mills Associis having to pay dearly for it. Copper for delivery on the LME in three months ended at

ation official said eight of the 59 jute mills in West Bengal US\$2,245 a tonne in after-hours trading yesterday, up \$35. The premium for immediate delivhad stopped production alto-gether. "Except for about half ery eased to \$270 a tonne after dozen financially rich jute touching \$300 at one point. The factories, which continue to reported a sharp fall in production of jute goods in the past premiums for delivery in June work 21 shifts a week, the others are run for 12 to 18 shifts a and July were about \$140, few we week," he said. "We have told The price of TD-4 jute, the down from \$200 late last week Rumours of huge profits and

and record prices have forced

the West Bengal government Indian henchmark grade, is that many more factories will Rs1.860 (\$53.14) a quintal, compared with Rs1 210 a year ago. "Naver in the past had jute commanded such a high price. put up the abutters in the coming weeks." West Bengal is the centre for growing raw jute and producing jute goods. Tha mills are, however, not

able to pass on the extra cost The situation is even more alarming in Andhra Pradesh. on account of fibre to the conthe second most important jute sumers. At the prevailing price goods centre. According to the of Rs21,000 a tonne of standard jute bags, the mills are losing industry officials, all the major nothing less than Rs4,500 a units in the southern state tonne," said Mr Shankar Ladia, have stopped production and the chances of their reopening spokesman for the Jute Balers' soon are ruled out. Orissa and Association. Madhya Pradesh have also

At a recent LIMA stock-taking it was found that in the

1.22m tonnes of jute goods. LJMA thinks that the mills will at the most be able to procure another 800,000 bales in May and June. "It is too late in the day to

Se informação de

الرواد المستقدي بشباب البراك فوالالرواب

think of importing raw jute from Bangladesh or any other country. While Bangladesh is left with very little exportable surplus at this stage, the imported fibre will prove to be too very expensive for the Indian mills. BTE, the Bangladeshi grade equivalent to Indian TD-4, costs \$500 a tonne, to which is to be added hanmill that is finding it difficult to procure jute to run even 12 shifts a week. first ten months of the current season, to April 1996, the dling and transportation charge," said Mr Ladia. industry had consumed 7.07m

"We are scraping the barrel. The mills may not finally get bales (180kg each) to produce 800.000 bales in May and June. The total supply of fibre in the current season is not more than 8.6m bales, including the opening stocks of 900,000 bales, a crop of 7.6m bales and imports of 100,000 bales. The other users of jute like the paper mills and rope makers will claim nothing less than 600,000 bales. A large-scale closure of the jute mill industry is, therefore, on the cards, said an executive at a large

about is that the next jute season, beginning July 1 will open with virtually no stocks of fibre. However, the new season fibre will start arriving in the 25

market from end-July. In which the meantime, the Indian mills are finding it difficult to sell jute goods in the world market at the prevailing high prices. "We used to sell large quantities of jute bags for packing rice in the Middla East. Wa are fast losing that market to synthetic substitutes. The European countries have also cut down on the import of jute bags because of their high prices," said the LIMA official.

What LIMA is most worried

losses being made from last Wider horizons seen for South African aluminium week's wild swings in copper's price continued. Traders said "serious money" was involved Mark Ashurst on a value-adding project in KwaZulu-Natal, the country's 'Aluminium Province' margin call by the Londou Clearing House on Thursday,

waZulu-Natal is still plagued by political violence and desperate the next five years. This follows a R6.4bn investment in Alusar's primary aluminium poverty, but it is gaining a new reputation among South Afri-can industrialists as "The Alusmelter at neighbouring Richard's Bay, which was officially opened by President Nelson minium Province". Mandela earlier thet month. "Generally, South Africa exports dirt," says one Johan-nesburg gold analyst. "We dig The new smelter is the largest private sector capital project

yet undertaken in South it up and we sell it to people. But in aluminium, there is the Africa. Hulett is its biggest local customer. The semi-fabricated aluminmaking of a real industry. All the different stages of the man-ufacturing cycle are entering a ium producer has also bucked

the national trend among other stage of tremendous growth." capital-intensive manufactur-Aluminium is fast replacing steel as the metal of choice for ers who are streamlining their product range in pursuit of longer production lines and econoitems as diverse as drinks cans, car radiators, toothpaste mies of scale. While domestic tubes and skyscrapers. The car manufacturers, for exam ple, are building fewer models consequent surge in demand in greater numbers, Hulett will menufacture aluminium in at from local manufacturers has enabled Hulett Aluminium, the least 5,000 different shapes and sole supplier of semi-fabricated sheet, foil and plate to myriad sizes. "It is the most inter downstream industries, to ing and versatile metal in the increase output from 25,000 world," says Mr Des Winship, tonnes in 1985 to more than chief executive. "Most of its 55,000 tonnes last year. Over future applications have not heen invented yet." the same period, world demand for aluminium has grown South Africa is well placed to steadily at just 2.5 per cent a exploit this potential, largely

because of the competitive In April Hulett embarked on advantage of a cheap energy supply. As President Mandela commented at the opening of the Alusaf smelter. "By using the first stage of a R2.4bn (US\$550m) expansion thet will triple output at its factory in electricity generated from our Pietermaritzburg, KwaZulu-Natal, to 150m tonnes a year over abundant supplies of coal to

produce aluminium, the smelter will contribute to the drive to add more value to our primary products before export. Alusaf will export about 500,000 tonnes of primary alnminium a year, earning at least R1.5hn a year in foreign exchange. It is a mark of the industry's coming of age that doubts over the viability of

such a huge project have been superseded by plans to build a second export-driven smelter at the nearby Mozambican harbour-capital of Maputo, using surplus energy from the

Cahora Bassa hydroelectric dam. By contrast, the Hulett expansion depends on the growth of local downstream industries. "We are in the wrong place to he a huge exporter, but we weren't able to build a smaller plant," says Mr Winship. "Our cornerstone is the local market, but to produce world class quality material we need to expand." Exports are expected to increase from their current level of about 11 per cent of production to between 30 and 50 per cent as surplus metal from the new plant is sold on Mr Pardoe. overseas markets, principally in the Far East. For all their bullishness.

can Breweries, the biggest cou-sumer of the aluminium caninvestors came close to abandoning the Hulett project. Mr end used to manufacture Rupert Pardoe, financial direcdrinks cans; protest that Hulett is already protected by tor of the Anglo-American Industrial Corporation, says the final go-ahead followed a war of attrition with the Board the shipping costs incurred by its overseas competitors, "We

will keep on pushing for a zero on Tariffs and Trade. tariff on aluminium metal "The investment was conditional on an acceptable level of sheeting product as the local aluminium price remains tariff protection, and it was costing Rim a month in conmuch more expensive than the sultancy fees while the board made up its mind." Amic con-trols Hulett-parent Tongaatinternational price." The dispute highlights the delicate nexus between dismantling the high tariff walls that protected local manufac-Hulett, which owns 50 per cent and has a further, independent stake of 20 per cent. turers during the isolation of the apartheid era and the other

he Board on Tariffs and goals of industrial policy. Trade, which is charged In principle, the government favours protection only at the with promoting competi tion and the re-entry of local industries to the global econlabour-intensive end of the manufacturing cycle. With offiomy, had proposed a dramatic cial unemployment of 32.7 per cut in the duty on imported aluminium from its current 22 cent, and estimates of the actual figure including those per cent level to 5 per cent jobless who have not regis within five years. But after lob-bying from the Department of ranging between 40 and 60 per cent, job creation is the gov-ernment's top priority, Trade and Industry and Hulett it last month revised this target to the Gatt level of 10 per cent within seven years. "We are satisfied by the shift in the government's position," says The new tariff scheme is also

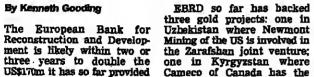
seen by Hulett customers as a victory for Amic. South Afrifewer man-hours per tonne rolled. However, the Hulett investment is "critical to the development of downstream industries".

This is reflected in the role of the Industrial Development Corporation, a government agancy, which has taken a 30 per cent stake, alongside Amic and Tongaat-Hulett. The IDC also owns 35 per cent of Alusaf, together with Gencor, the multinational minerals group, which has a 44 per cent stake. Each investment will triple existing capacity in the primary and secondary phases of production.

At present South Africa produces less than 1 per cent of the world's aluminium but is already one of the hignest exporters of aluminium motor parts to Mercedes and BMW in Europe. Africa is also likely to become an important market. "The average thickness of human hair is 26 microns (0.026mm). That's four times the thickness of the rolled aluminium foil we will make at the new plant," says Mr Peter Staude, Hulett managing director. Exports of cartons lined with this foil will allow ultrapasteurised milk to be transported for thousands of kilometres to places where refrigeration is unheard of.

COMMODITIES PRICE

COMMODITIES PRICES					JOTTER PAD
BASE METALS	Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.) Sett Day's Deep	GRAINS AND OIL SEEDS	SOFTS COCOA LCE (E/tonce) Sett Day's Open	MEAT AND LIVESTOCK	
(Prices from Amalgemeted Meta) Tracing) ALUMINEUM, 99.7 PURITY (\$ per tonne) Casti 3 anthe Close 1499.5-500.5 1534-35	price change Sight Jew Vol Int - Jant 395,7 +1,0 396,0 394,9 113 940 Jiel 387,0 +1,5 - 50 Jiel 387,0 +0 388,6 387,7 33,576 85,088	price change High Low Vot Int .Inf 120,00 -0.70 121.50 120,00 151 1,773 Sep 114.20 +0.75 114.25 113.75 20 385 Nov 115.50 +0.56 118.00 115.45 220 2,955	price change High Low Vet but Jul 11157 1118 1112 042 11,580 Sep 11429 1148 1140 781 44,808 Dec 10498 1092 1046 055 32,929	Price change High Lawr Wal Int. Jun 65.600 +0.5 63.900 62.525 5.853 14,120 Amg 88.000 +0.575 98.125 64.800 5.671 33,242 Oct 57.025 +0.625 67.90 66.072 27,842	
Previous 1503-04 1537.5-38 Hightow 1499/1497 1538/1532 Also Official 1497-398 1534-35 Kerb close 1537-38 Open Int. 231,220	0et 391.4 +0.9 391.5 390.6 516 7,136 1xec 394.3 +0.9 394.3 393.5 570 36,715 1xeb 397.1 +0.9 = - 218 6,476 Table 36,399 187,491 - 5,399 187,491 ■ PLATINUM NYMEX (50 Troy oz.) \$5,090 ycc.) - - - -	Jan 116.00 +0.90 961 Mar 120.00 +0.90 248 May 122.00 +0.90 113 Total 391 5,838 WHIEAT CBT (5,000bu min; cents/600b busha)	Mar 1031 -1 1034 1030 301 36,364 May 1041 -2 1045 1039 88 20,614 Jul 1050 -3 1052 1050 38 11,280 Total 2,912 167,734 III COCOA CSCE (10 tonnes; Stennes)	Dec 64.475 +0.525 64.575 83.700 1.418 11.554 Feb 63.525 +0.4 63.550 62.850 604 10.539 Apr 66.400 +0.3 66.475 65.875 270 3.106 Tubil 17.911 148 12.3 106 11.554 Will LIVE HOGS CME (40.0001bc; pentofiba) 64.00 10.5 106	
Total daily tumover 56,325 III ALUNYIRIUM ALLOY (\$ per torme) Cione 1245-55 Previous 1255-55 Previous 1255-55	Jai 303.8 -0.7 396.0 .983.0 2,705 17,713 00t 588.7 -0.7 399.0 386.0 665 7,304 Jan 399.7 -0.7 401.5 400.0 17 1,232 Am 402.7 -0.7 403.5 403.3 24 1,653	Jud \$19.50 +17.25 b21.20 505.25 11,628 37,483 Sup 524.00 +16.50 b22.00 510.50 1499 21,476 Den 551.60 +14.25 533.00 523.00 3,268 20,260 biur 531.00 +13.50 532.00 525.00 147 2,650	Dec 1418 42 1423 1410 893 17,479 Mar 1435 44 1437 1419 635 13,715	Jua 82,080 +0.55 82,300 61.105 2,448 8,460 Jul 68,305 +0.7 59,450 58,200 3,438 9,074 Ang 58,400 +0.525 65,500 58,375 2,966 8,421 Det 51,280 +0.7 51,390 50,160 895 5,675	
Highviow, 1295 Avia Official 1255-80 1290-96 Kerto close 1290-95 Open kr. 4,769 Total daily tumover 1,306	Total 3,403 27,805 III PALLADRIMI NYMEX (100 Troy of: \$ftroy oc.) Jun. 12865 -0.20 130.50 130.50 57 245 Jun. 12865 -0.20 130.50 130.51 57 245 Jun. 12865 -0.05 130.25 120.73 232 7,205 Dec 133,15 +0.05 130.27 122 906	Many 498.00 +12.00 500.00 455.00 28. 114 Jeit Jeit 442.00 +80.00 496.00 155 1,567 Total 28.004 480.00 155 1,567 20.005 83,613 III MAIZE CBT (5.000 bu min: canta/568 busines) Jul 471.00 +12.00 470.00 16,838 100.751	Jul 1450 -12 1450 1450 6 5,889 Tetal 12,511 80,746 E COCÓA (CCO) (SDŘ*/fonne)	Dec 83,975 +0.7 54,100 63,150 471 5,578 Pub 76,250 +1,075 75,450 74,000 94 1,409 Table 9,986 38,069 9,986 38,069 III PONKK BELLINES CME (40,0001bs; centri/bd) 1,637 5,157	
LEAD (\$ per tonne) Class 824.5-5.5 822-3 Pravious 819-20 818-8.5 High/low 823 824/818	Junial 254 3,466 ■ SILVER COMEX (5,000 Troy oz.; Centastroy oz.) Juni 516.0 +0.4 Juni 517.7 +0.4 -	Sep 405,00 +12,00 405,00 400,00 11,877 67,324 Dec 364,75 +12,00 364,75 359,00 36,780 162,147 minr 370,25 +12,00 370,225 364,26 2,176 20,815 illary 372,00 +12,00 370,025 364,26 2,176 20,815	Jan 7 Price Prec, day Dely	Aurg 78,475 -2 78,600 78,475 840 2,884 Feb 79,950 +1,95 80,000 76,925 193 729 Max 80,500 +2 80,500 76,800 11 50 May 82,480 +2 82,550 78,800 1 50	
AM Official 822-3 B18-9 Nerb close 820-1 Open Int. 34,146 Total dally turnover 7,191	Aug 520.4 +0.4 Sup 523.3 +0.4 525.0 522.0 1,812 20,475 Due 531.4 +0.4 523.0 530.5 451 11,269	Jel 371.00 +12.00 371.00 370.00 274 4,004 Tetel 74,892.343,514 III: BARLEY LCE (£ per tonne)	Sep 1783 +20 1785 1742 1.012 7.986 Nov 1752 +24 1748 1734 279 3.018 Jan 1727 +20 1725 1718 47 1.832	Total 2,012 8,967	CROSSWORD
NCKEL (\$ per tonne) Close 7800-01 7910-20 Previous 7775-85 7800-60	Nim" 539.5 +0.4 543.0 549.0 10 6,094 Total 17,342 198,296	Seep 106.40	Mar 1894 +15 1695 1695 8 979 May 1668 +27 1990 1699 8 2 Tatal 2,033 29,174	LONDON TRADED OPTIONS Strike price \$ topns Calls Puts III ALLINGINGUM	No.9,091 Set by HIGHLANDER
High/low 7930/7900 AM Official 7820-25 7908-08 Kentrolone 7820-30		Many 113.25 - 5 Tetal 969 SOYAGLANS (21 (5,000km mkr; cantar@0b branne)	Image: Conference of CSCE (37,500mbs; center/los) Jail 117.75 +2.40 118.50 114.49 5,171 12,106 Sam 118.10 +1.75 116.00 113.50 2,190 8,827	(99.7%) LME Jul Sep Jul Sep 1400	
Open int. 45.791 Total daily turnover 11.156 III TIN (\$ per tonne)	ENERGY	Jul 791.03 +15.50 795.00 775.50 11.058 52.049 Aug 785.00 +14.25 788.00 770.75 2.751 17.700 Sus 766.75 +14.25 771.90 754.00 391 7.250	Der 113.70 +1.40 115.00 112.25 401 3,920 Mer 112.25 +1.50 113.00 111.00 33 1,106 Mey 112.10 +2.20 112.10 112.10 4 349 Jul 111.55 +2.25 - 78	1550	
Cicee 5195-205 5210-20 Previous 5190-200 6220-30 High/low 6190 6210/6200	Latent Day's Open price change tigh Low toi Int Jul 20.42 +0.14 20.48 20.19 32,682 75,742	Here 757.00 +14.75 761.00 745.00 19,627 81,394 Jan 762.50 +14.50 786.00 747.50 314 6,892 Mar 760.50 +15.50 772.60 765.50 277 3,281	Tatal 7,708 28,398 III COFFEE (ICO) (US centa/pound)	2200137 - 137 2300131 96 51 194 240079 - 96 # CONFRESCOE dut Sep dut Sep	11 12 11 12
Auf Official 6190-95 6195-205 Karb close 6200-10 F Open int. 17,548 Total daily turnover 3,339	Ang 19.54 +0.11 19.53 19.25 18,781 56,378 Sep 19.02 +0.08 18.05 18.28 6,214 36,106 Det 18.09 +0.08 18.72 18.48 1,336 26,251 Nev 18.50 +0.05 16.57 18.25 52,100	Total 34,622 177,499 III SOYABIEAN OIL CBT (80,000/bp: centa/b) Jul 28,64 +0.46 25,70 28,25 6,809 32,993	Jen. 7 Proc. day Camp. daily 103.28 102.44 15 day asimaga 105.99 106.65	III COFFEE LCE Jul Sep Jul Sep 1800	
ZRIC, special high grade (8 per tonne) Close 1020.5-21.5 1045-46	Nev 10.50 +0.05 10.52 10.35 575 21,007 Dec 10.29 -0.01 10.35 10.21 1,500 35,428 Total CRUDE CEL IPE (\$/bend) -	Aog 26.82 +0.46 26.90 28.60 2,750 14,785 Sam 27.04 +0.46 27.08 28.80 1,076 7,175 Oct 27.20 +0.40 27.23 28.95 418 5,880	WHITE SUGAR LCE (S/torms) Ang 381.4 +0.2 384.7 380.3 1,181 10,703 Oct 343.0 -0.2 345.7 342.0 206 6.576	E COCOA LCE Jul Sep Jul Sep 875 240 268 - 1	18 19 20
Previous 1014.5-15.5 1038-39 High/low 1018.5/101S 1048/1041 AM Official 1017.5-1S 1042-42.5 Karb close 1048-47	Latant Day's Open Jafor change High Low Vol Int	Dec 27.40 +0.48 27.34 27.20 3.450 23,107 Jan 27.57 +0.48 27.57 27.40 15 1,983 Tetal +0.48 27.57 27.40 15 1,983 Total +0.48 27.57 14,070 \$7,983 III SOVABEAN IMEAL CBT (100 tons; \$Arot)	Dec 330.3 - 333.0 330.0 53 3,923 . Her 325.5 -0.6 326.6 325.4 57 3,795. May 325.3 -0.5 326.8 326.8 4 1,705	900 215 244 - 2 923 190 221 - 4 ■ BRENT CRUDE IPE Jul Aug Jul Aug	22 22 26 23
Open int. 74,040 Total delly tumover 22,776 COPPER, grade A (5 por tonne)	Jail 18.33 +0.05 18.43 18.14 15,874 36,302 Aug 17.00 +0.10 15.50 17.75 10,117 84,080 Seg 17.59 +0.18 17.57 17.46 1,201 15,277 Oct 17.36 +0.07 17.45 17.26 1.307 15,972	Jul 241.8 +3.5 243.5 239.0 7,234 38,737 Aug 241.2 +3.4 243.2 240.4 2535 12,815	Aug 325.30.5 326.6 326.6 3 638 Year N N N N N N N N N N N N N N N N N N N	1800 45 10 - 1860 2 15 - 1900 2 56 -	27
Citize 2520-30 2235-40 Previous 2440-50 2170-75 High/low 2525 2270/2190	Nev 17.17 +0.04 17.22 17.17 405 4,976 Bec 17.02 +0.03 17.08 17.02 184 10.943 Total 33,582 174,193	Sami 258.8 -3.7 246.8 259.3 732 8.978 Oct 255.9 +4.3 236.0 235.0 227 4.245 Dec 255.2 +4.5 237.7 233.0 2.284 2.234 Jan 235.5 +4.1 237.5 234.5 88 2.113 Total 13.203 Balkarz 13.203 Balkarz 13.203 14.245	Jul 11,44 -0.14 11,70 11,58 7,111 54,883 Oct 10,76 -0.12 10,90 10,72 3,053 59,552 Mar 10,57 -0.07 10,05 10,565 1,369 57,166 May 10,47 -0.07 10,45 10,45 13,716 10,773 Jul 10,40 -0.07 10,45 10,40 552 9,478	LONDON SPOT MARKETS CRUDIL OIL FOB (per barrel) +07- Dubel \$17,54-7,84x +0.33	
AM Officier 2510-20 2230-35 Karb clove 2245-50 Open int. 192,564 Total delly turnover 85,033	III HIEATING OIL MUNEX (42,000 US galls; cUS galls) Latest Day's Open Jeice change High Low Vol Int	Nor 85.0	Det 10.35 -0.06 10.42 10.38 108 3,802 Total 12,842 140,857	Brent Bland (deted) \$18.44-8.48 +0.11 Brent Blend (July) \$18.31-8.33 +0.18 W.T.L \$20.34-0.37x +0.235	
LME AM Official 1/5 rate: 1.5945 LME Closing 1/5 rate: 1.5320	Jul 51,80 +0.02 51,90 51,30 9,048 23,291 Aug 62,10 -0.06 92,25 51,90 3,084 16,223 Sup 52,45 -0.15 52,86 52,35 804 9,263 Out 8,310 -0.11 33,25 63,10 114 5,270	Mar 110.0	III COTTON NYCE (50,000/bit; cents/bit) Jul 61,72 -0.23 82.64 81.60 4,701 19.986 Oct 75.00 +0.46 79.40 75.90 1,004 5,327	CIL PRODUCTS W/Eprompt delivery CIF (konne) Premium Gaeoline \$200-202 Gee Cil \$162-163	ACROSS DOWN
Spot: 1.5322 3 while: 1.5312 6 millio: 1.5312 8 millio: 1.5317	New \$3,75 -0.81 \$3,75 53,75 75 6,606 Dec \$4,25 -0.08 54,30 54,05 511 17,805 Tutal 14,333 90,241	Total 104 1,214 FREICHT (BIFFEX) LCE (\$10/index point)	Dec 78.20 +0.54 78.45 77.90 5,967 26,962 New 78.97 +0.39 79.25 78,85 261 5,296 New 79.00 +0.25 76.80 79,70 128 2,331	Heavy Fuel OI \$81-83 Neghtha \$174-177 +1.5 Jet fuel \$187-188 +1	1 Graduate teachers object to single-room accommodation (5) 2 Putting something on a ban-
Satz Dany's Open price change fligh Low Vel int Jum 118.000 +0.70 118.20 115.00 728 3,156 july 107.95 +0.85 110.80 106.50 6,943 16,860	III GAS OLL IPE (S/2011) Sett: Day's Open - price change High Law Vel int	Jal 1212 +7 1210 1218 3 2,097 Aug 1213 +4 1215 1218 8 9T Det 1328 -2 1328 1325 9 1,421	Total 12,148 GLABS	Discel \$164-185 +1 III NATURAL GAS (Pence/Sherm) -0.25	4 Drinks with footwear manu- facturers? Rubbish! (8) 3 Nervous appearing in Dela-
Ang 104.95 +0.30 105.50 105.00 124 1,084 Sam 102.00 -0.15 104.40 181.20 2,225 9,688 cet 101.35 -0.40 102.00 102.00 64 767	Jan 162.00 +1.00 162.25 160.75 4,727 7,842 Jai 160.25 +0.75 160.75 150.50 4,267 17,837 Aug 159.76 +0.75 160.25 159.25 659 11,574	Jaan 13425 146 Apr 1345 83 Total 20 4,421 Class Prov	Jul 121.10 -0.15 121.40 119.30 2.256 9.736 Sup 118.25 -0.40 120.00 117.30 659 5.565 Sup 115.75 -0.45 116.50 115.50 69 1.255." Jun 113.85 -1.55 115.50 113.25 68 3.842	Painthum Argus, Tal, London (717) 359 8782 al, OTHER Gold (per troy cz) \$ \$385.85 +0.10	9 Greek comes out of trance ware perhaps (21.5) confused (3) 5 Not working with group in 10 Policy for homeless person - get back inside (3) 5 Cook sounds like an ass (6)
. 1107 100.05 -0.55 190.80 190.80 49 685 Tatal 12,076 48,217	Sep 160.50 +1.00 161.50 160.00 321 5,895 . Out 161.25 +1.00 161.75 161.25 85 2,029 New 161.75 +1.00 161.50 161.25 10 1,610	87 1315 1322 7	Mar 115.30 +0.46 115.30 114.70 2 206 May 116.30 +0.30 116.00 116.00 9 104 Tatal 3,853 21,314	Silver (per troy oz) \$ 519.50c - 1.00 Pietihum (per troy oz.) \$ 3582.50 - 1.00 Peliedium (per troy oz.) \$ 128.35 - 0.40	11 Artificial tears moved unknown (6) 7 Quote me sbout what makes one sick (6) 12 Give new post to singer as 8 Saw, for example, gin drunk
PRECIOUS METALS IL LONDONY BULLION MARKET Prices supplied by N M Refusching	Telaf 10,2257 UB,457 IF NAYURAL GAS NYMEK (10,000 xxmBin.; S/mmBin.) Latest Day's Open	RUTURES DATA All Autored data supplied by CMS,		Tin (realize Campan) . T5.3170.04	arranged (8) (6) 13 The player bowled at (3) 12 American farmer took care of 14 Fire one and get in trouble (6) head of cattle with her (7)
Gold(Troy oz) \$ price £ equiv SFr equiv Cicee 385.70-366.00	price change ligh Law Vol Int. Jul 2385 -0,010 2,410 2,390 12,707 30,821 Ang 2,460 -0,013 2,490 2,455 5,178 25,128	[]		Cattle (five weight) 103.05p +3.45 ^o	17 Returned to office to choose 15 Starts to export less mature two keys (7) 11 Doctor food with it (5) 16 The man takes maiden over
Opening 385.80-386.20 Morning Str. 385.55 251.57 486.49 Alternoon Str. 385.65 251.50 488.43 Day's High 385.90-386.20	Sup 2.459 +0.004 2.475 2.450 4.435 18,233 Out 2.430 +0.005 2.445 2.425 1.654 14,003 Nov 2.440 +0.006 2.450 2.430 536 10,732	Ten There wills less demend this week reports the Ten Brokers Association, landed bright liquor-	VOLUME DATA Open Interest and Volume data shown for	Lon. day sugar (nm) \$305.4 +0.4 Lon. day sugar (nm) \$305.0 +2.0	25 Fish turning away from the the border (3) wind (3) 18 Skivvy follows trunk (3) 26 Permission to proceed with 19 State airline has added first
Day's Low 385,45-385,75 Leve Cose 385,50-386.00 Loco Lan Mean Gold Landing Parton (/s USS)	Dec 2.490 +0.002 2,505 2,490 860 12,100 Total 28,965 151,473 III UNLEADED GASOLINE	ing East Africans opened about steady but closed 4 to 8 perce easier. Mediume lost 2 to 5 pence agent from a few coloury lines which	contracts tracked on COMEX, NYMEX, GBT, NYCE, CME, CSCE and IFE Cructe OII are one day in ameans. Volume 8. Open interest totals are for all tracked monitor.	Malze (US No3 Yellow) Ung	each net (8,5) 7 You said wise men form regu- lar habits (6) 20 Corrects sexually innocent Poles (8)
1 month	NYMEX (42,000 US galls; cUS galls;) Latest Day's Open price shange High Laur. Vot Int.	held first. Offenore there was good demand but prices were generally lower. Quotefions: Best available 136p/kg. Good 125p/kg. Good medium 116p/kg. Medium 108p/kg. Low	INDICES REUTERS (Base: 18/9/31=100)	Rubber (Jul) 100.000 -2.75 ; Rubber (KLRSS No1) 383.55m -3.0 Coconut OII (Phil) 5 820.0v -15.0 ;	28 Take part of case for leisure 22 Affected by American univer- wear (8) sity grounds and buildings (5) 29 Spring profit is about zero (6) 23 A common policy the French
Silver Fix p/iroy cz. US cts equiv. Spot 338,90 520.00 3 months 343,05 525,10	Jul 61,70 +0.79 62,00 60,65 13,200 24,161 Aug 60,15 +0,46 60,49 59,80 4,998 17,188 Sup 58,20 +6,30 58,45 58,05 2,055 6,527	medium Séplig. The highest price realised this week was 136p/kg for a caylon.	Jun 18 Jun 7 menth ago year agu 2210.5 2105.0 2137.6 2282.5 CRB Fabures (Base: 1987;100)	Paim Oil (Maley,)\$ \$510.0 -5.0 Copya (Phil)\$ \$521.0 Soyabeens (US) 217.02 +4.0	30 Recognized usual colours (8) put over for wool (6) 31 Go round via route through 24 Fail to win inside the record?
6 monthe 347.05 532.40 1 year 355.30 545.55 Gold Coins \$ price £ equiv.	0et 51.05 +0.25 53.75 53.00 162 2,240 Nev 54.00 +0.15 54.09 54.00 30 1,176 Den 53.00 +0.15 53.25 53.00 42 1,183		Jun 7 Jan 6 month ago year ago 250,69 248,68 259,08 N/A	Cotton Outlook A* Index 84,65c +0.20 Woottops (64s Super) 428p E per tome triess otherwise statet, p penarko, c centryb,	the Peaks (6) Shut up! (6) 25 Less bother because that's covered by queen (6)
Krugemand 396-389 232-254 Mopie Leaf 396.50-399.00 New Soveralgn 86-89 56-58	Tatal 24,640 53,790	-	Jun 7 Jun 6 month ago year ago 203.45 201.22 210.26 161.50	r frageling. In Malentin constitut, 2 (al. Villagian, w Jan) Jal, Y London Physical, 5 Cill Rottendan, 3 Ballon meter close Charge on week. Hissed on WA head of pige sold.	Solution to Saturday's prize puzzle on Saturday June 22. Solution to yesterday's prize puzzle on Monday June 24.



and pointed to the mid-session

which brought in \$700m.

Kumtor joint venture; and the third in Russia, where Cyprus Amax of the US is involved in the Kubaka venture. Mr Baverez pointed out that between them these would produce an annual 1.5m troy

He said the bank and the

Success required an attrac-

Vear

resources group. His group has another eight to ten projects in the pipeline and one very close to board approval. The bank is also conounces of gold. idering backing Russian gold joint venturers had learned mining companies directly some important lessons about operating in the former Soviet rather than only those involved in joint ventures with Union, not the least that it was foreign partners. difficult to budget because

He said at a meeting with the Association of Mining Analysts that the EBRD was focusing on gold because that was what foreign investors wanted. It was very unlikely that the bank would back any other type of metal mining projects although it might consider protive resource, dedicated part-ners, perseverance, and politicessing ventures such as aluminium smelters.

logistics were complex and untried, because local labour productivity was untested and because it was impossible to predict the impact of inflation on costs.

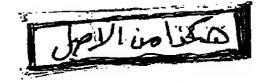
cal support from the domestic government

because the plant will introduce technology that requires

tered

is an exception to the rule. There will be no additional employment at the plant after tha initial construction phase,

Mr Paul Jourdan, special adviser to the minister of trade and industry, concedes Hulett



INTERNATIONAL CAPITAL MARKETS

European sector recoups part of Friday's losses Good response to NZ buy-backs

By Samer iskandar in London and Lisa Bransten in New York

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Most European bond markets had a positive session yesterday, recouping part of Friday's losses. But prices remained shaky, losing some of their carlier gains after the US market opened, and are likely to be vulnerabla to bearish news in the coming days. Market participants were

reassured, however, by the Aprii. resilience of European bonds to the losses sustained by US Treasuries. Mr Tom Pelc, a senior technical analyst at MMS International, said be was moderately positive on European markets but mora reserved on Treasuries.

Economists at BIP Dresdner Bank in Paris believe last week's "correction ... will favour interest rata convergence" in Europe, although US indicators will continue to dictate market trends.

UK gilts proved resilient when the US market opened on

🖀 German bonds also ended a bearish note. Liffe's September long gilt future settled at the day higher. Liffe's Septem-1051, up 3. In the cash mar-ket, the benchmark 7% per ber bund future closed at 95.23, up 0.05. In the cash market, the cent gilt due 2006 closed at 10-year benchmark bond, the

96歳. up ය. The market was supported 0.05 higher at 97.81. Bund outparformance widby the release of bullish proened the 10-year yield discount ducer price data for May. Output prices fell by 0.1 per cent against US Treasuries by 2 basis points to 53 points. month-on-month, bringing the year-on-year rate down to 2.9 GOVERNMENT per cent from 3.2 per cent in

BONDS The Office for National Statistics also said input prices Mr Pelc at MMS expects the (seasonally adjusted) fell by 0.5 German market to continue

per cent month-on-month. outperforming US Treasuries. Economists at ABN Amro Hoare Govett said "sterling's The 10-year spread should widen to around 60 or 65 basis strength balped auppress points in the next few weeks", prices of imported inputs". May's fall, they added. 'lowhe said. ered the [year-on-year] rate to

French OATs traded in line just 1.1 per cent, its lowest with bunds. The Matifa June More releases of economic notional future settled at 123.06, up 0.12. In the cash marstatistics are expected before the end of this week, including ket, the 7% per cent OAT due 2006 closed 0.07 higher at monthly manufacturing out 105 15 vielding 3 basis points put, unemployment data and less than the equivalent bund,

the same level as Friday. Analysis are predicting further unilateral monetary easing by the French central bank, given the favourable 6% per cent bund due 2006. was inflation outlook. Consumer prices rose 0.3 per cent in May, leaving the inflation rate unchanged at 2.4 per cent. These figures confirm that "French price pressures are

modest and very much under control", said economists at Bear Stearns in London.

Italian bonds also recovered. from last week's weakness and marginally outperformed the German market, Liffe's September BTP future closed at 115.23, down 0.08. The contract had opened on a strong footing and traded as high as 115.52, before being dragged down by a weaker US Treasury market. In the cash market, the 10-year benchmark BTP was up 0.14 at 100.59, its yield spread over bunds narrowing by 1 basis point to 307 points. Mr Pelc at MMS believes that

after twice testing the 300 basis

Near midday, the benchmark point barrier (on the 10-year yield spread over bunds), the market should have enough momentum to break this psy-chological level soon and traffe down to around 285 basis points. If the international environment is favourable, Mr dropped % to 106%. Pelc expects the BTP future to break its contract highs and test uncharted territory around

the 117 level. E Spanish bonds were supported by the government's longer maturities. economic measures adopted last Friday, but closed off their highs in the wake of falling Treasuries and bunds. The June 10-year bono future set-

tlad at 98.62, up 0.15, after reaching a high of 98.84. in the cash market, the 10-year rates. benchmark bono closed at 97.28, up 0.10.

I US Treasuries tacked more losses on to the sharp declines posted on Friday in early trad-ing as traders awaited data on 251.75

30-year Treasury was down H to 88#, yielding 7.081 per cent. By Richard Adams in London the two-year note was 1 lower at 992, yielding 6.375 per cent. New Zealand's offer to buy and the September 30-year back £197.5m of loan stock has Treasury bond future had had a warm reception so far

from the London market. The curve that traces the By yesterday afternoon, just yield spread between the twounder 50 per cent of the £97.5m year note and the long bond issue due in 2008 and 65 per epened by 2 basis points to cent of the £100m issue due in 71 basis points as the short end 2014 had been repurchased in of the spectrum outperformed the week since the offer was

made. Shorter-term notes got some Mr Philip Anderson, principal at the New Zealand Debt Management Office in London, said: "We're very pleased with support from news reports suggesting that Friday's stronger than expected figures on May employment growth would not the uptake so far. be enough to convince the Fed-More than 90 per cent of the issues are registered bonds, the bulk of which are held by instieral Reserve to raise interest

However, worries about the octential for inflationary prestutions. Only 13m to 15m is beld in private hands, making sures to emarge both from it likely that a very high prohigher wages and from higher portion will be repurchased commodity prices remained. In the early afternoon, the Knight **Ridder/Commodities Research** Bureau index was up 1.06 at

to buy back \$500m of US domestic notes, but the success of the yankee buy back is less \$1 9 CE 2. **

pound .

assured. "It is going to be more difficult to get in, because of the greater international distribution," Mr Anderson said. Experience of other buy-backs in the US market suggest a 45 to 70 per cent rate of repurchase. The purchase price for the notes or loan stock is calculated by using the yield to maturity of the bond's reference security, plus a fixed spread ranging from 10 to 35 basis points.

BZW is the exclusive agent for the sterling offer, and Mor-san Stanley the exclusive dealer manager for the yankse offer. The offer remains open until June 14 in London, and until June 26 for the yankee offer in New York.

Italy set to launch \$2bn issue of five-year floating-rate notes

in the bond markets.

fixed-rate bonds.

since May 1994".

retail prices

By Antonia Sharpe

Italy is set to tap the eurobond market for the first time since the Prodi government came to power and since Moody's, the US rating agency, said it was considering raising the sovereign's Al credit rating.

INTERNATIONAL BONDS

Dealers expect Italy to launch a \$2bn offering of fiveyear floating-rate notes as early as today. The discounted margin on the notes, to be issued via Lehman Brothers and Merrill Lynch, is likely to be flat to Libor. The offering. which is non-calleble until

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1999, refinances a previous which will refinance existing \$2bn FRN issue due 1998 which notes backed by its aircraft Italy called recently. loged

Dealers said yesterday that Italy had opted for an FRN offering rather than a fixed-Other new issues expected this week include a DM200m four-year bond offering from rate issue because investors Expo 2000, the company arrhad become more defensive anging the World Fair 2000 in recently, a stance which was Hanover. The fixed-rate offering, reinforced by Friday's tumble

which will be guaranteed half The current mood of uncerby the state of Lower Saxony and half by the German govtainty in the bond markets is expected to encourage more ernment, is likely to be priced issuers to raise funds through to yield up to 10 basis points more than underlying German. FRNs rather than through government paper. Merrill Lynch is believed to

Among yesterday's transacbe close to launching a six-year tions, triple-A rated Bank Aus-FRN for NationsBank, which tria was the latest borrower to could raise between \$400m and tap the the eurosterling market \$500m. There could also be an with a £100m offering due 1998. Bank Austria's bonds were offering of FRNs from GPA,

Borrower US DOLLARS ACCMT II, 95-D, Class A(a)‡ Kores First Bank(b)*+; Bahrain inti Bank(c)‡ 12. (81) (61) (61) (61) (61) (41) 93.75R Jun 2005 Jun 2006 Jul 2007 Jul 1999 200 60 50 0.40R 100.00 Hyosung (America) KEB L STERLING Bank Austria(s) 100 6.75 99.884R Dec 1998 0.175R +25/7%%-951 Lehman Brothers Int GUILDERS Koninklijke PTT Nederlan 6.50 98.505R Jul 2006 0.325R +265) ITALIAN LIRE 350bn 300bn Republic of Argentina European Investment Bank 11.00 0.508 Deutsche Margan Greniei BCI/Caripio/JP Morgan 99.90R Jun 1999 Jun 2003 (e.5) CANADIAN DOLLARS Cridit Local de France(s) Vancouver City Svgs Cdt Union 7.25 7.125 Dec 2001 Jul 2001 +14(7%%-01) Taronto Dominian Bank +5(7%%-01) RBC Dominion Securitie 100 100 99.65R 99.47R 0,25R 0,25R SH KRONER 101.37 Jul 2001 1,875 Kredetback Intl Group Crédit Local de France 400 th-Final terms, non-calleble unless stated. Yield spreaf (over relevant government bond) at leunch supplied by lead manager, *Unlessed, \$ Floating-rate note, R: four re-otier price; leas shown at re-offer level, a) Advance Gredit Cand Master Trust. Average life; 6.49 yrs. at) Priced late: 1-mit Liber +16bp area, a2] Class B; S33m, av life 6.58 yrs, 1-mit Liber + around 30bp, b) Callable annually from Jun 2001 at par. b1) 6-mit Liber +85bp to June 2001 and +200bp thereafter. c) Putable on 2/7/99 at par, c1) 6-mith Liber +1373bp. d) 3-mit Liber +65bp, e) 3-mit Liber tells in the 145c, Coupons capped at previous rate +0.5%, initial coupon: 8.80%, f) 5%% to 30/7/99, then 81/86, i) Over interpleted yield, a) Short 1st coupon.

priced to yield 25 basis points over UK government bonds. ket When the bonds were freed said to trade the spread widened by tight about 3 basis points because of in fi

l it expected the spread to the offering into fix nen once all the bonds were D-marks at a sub-Libor frm hands. rate.

Fund to invest \$100m in Russian debt market

A Hong Kong-based fund manager and an Australasian bank are joining forces to launch a fund to invest in the Russian debt market. Regent Pacific will administer the Regent Russian Debt Fund alongside its four existing Russian funds. ANZ Bank is to be investment adviser.

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The fund will be incorporated in the Cayman Islands as an investment company and will invest in Russia via a local operating company owned by a. separate Cyprus-registered sub-

sidiary. Regent and ANZ aim to raise more than \$100m and the fund will have a split level structure, offering investors Income shares will offer a

fixed rate of return of 12 per cent a year, which is secured Regent is applying for a listagainst the assets of the fund.

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WORLD B	BOND PR	CES																													
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Selgium Canada	7.000	05/06	101,8500					9600 Kat wel hele	0.10	0.36	0.58	0.66	0.87	1.16	1.35		3 Over 15 years (9)	158,97	0.20	158,65	2.59	5.43 20 yrs	8,34	8.33	8.14	8,34	8,36	8.17	8,39	8.38	8.24

NEW INTERNATIONAL BOND ISSUES

producer and consumer prices due today and tomorrow.

The NZDMO is also offering By Richard Lapper

Ordinary shares aim for capital appreciation and will offer a leveraged return. Mr Jules Green, director of emerging markets at ANZ, said

the fund will buy Vneshecon-nmbank and MinFin dollardenominated debt but will also focus on rouble-denominated GEOs (Treasury bills of three, six and 12-month maturities). Treasury bill yields have widened from about 60 per cent

earlier this year to more than 160 per cent a year, offering potentially lucrative returns. Most foreign involvement in the Russian debt market to date has been either through derivatives vehicles or, since February, through specially structured schemes administered mainly by Russian

banks. ing on the Irish Stock Exchange,

Zemada * 7.090 12/05 84,4200 +0.070 7.79 7.70 Demmark 8.000 03/06 103,3800 +0.100 7.49 7.51 7.28 France BTAN 5.750 03/01 100,7500 +0.080 5.57 8.56 5.49 CAT 7.250 04/06 105,1500 +0.070 8.52 6.51 8.40 Sermany Bland 6.250 04/06 105,1500 +0.070 8.52 6.51 8.40	Ent, vol. lotal, Calla Bassi Puos 61951. Primious day's open int., Calls 122325 Puts 147835 Italy M NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURIES	4 Interdeemables (6) 180.42 -0.52 181.35 1.82 6.12 Interd.† 8 5 Alf stocks (56) 140.57 0.21 140.27 2.18 5.13 Index-Bakyd
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CURRENCIES AND MONEY

MARKETS REPORT

Pound falls amid UK interest rate speculation

By Graham Bowley

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Edgropp Autorite Balgan Datuma Datuma Printorid Francoc German Greeta Interna Interna Norman Portuge Spala Swetzer UK Ecu SDR†

America Argentin Brazil Canado Medico USA Pacific/il

Australia Hong Kong India Israel Japen Malayaia New Zasland Philippines Saxti Arabie Saxti Arabie Sauth Africa South Africa South Africa Thaliand

† Finites for Jun 6, 84 and Implied by curre Michanes in both this

The pound foll on the foreign exchanges yesterday as traders digested last week's surprise UK interest rate cut and speculated that rates might fall further

Other major currencies had a quiet session as markets absorbed the implications of last week's drama triggered by the very strong US jobs figures

The lira was largely unmoved by reports that Italy would start talks after next week's European Union sumnnit in Florence with France and Germany on the lira rejoining the European exchange rate mechanism Sterling's trade weighted index finished lower at 85.8 from 86.3. Against the D-Mark, the pound closed at DM2.352 from DM2.3657, while against dollar it finished at \$1.5313 n S1.5417. 3 mBa 1 yr The dollar finished in Lonat DM1.536 from DM1.5345.

POUND SPOT FORWARD

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Closing Change mid-point on day

16.5525 48.3891 9.0799 7.2125 7.9681 2.3520

2.3820 371.271 0.9737 2375.86 48.3891 2.6331 10.0531

242.481

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1.2437

1.5292 1.5308 2.0883 11.4866 1.5313

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1210.34 42.4645 36.8307

Against the yen it closed at which would exert downward Y109.085 from Y109.05.

and in New York

----Latest----1.5325 1.5329 1.5315 1.5333

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Day's Mid high fow

16.6291 16.5486 16.5212 48.6110 48.3900 48.2941 8.1235 9.0781 6.0655 7.2220 7.2010 7.2091 8.0047 7.9572 7.9552 2.3645 2.3508 2.3472 372.973 371.114 0.9767 0.9730 0.9732 2388.75 2374.12 2822.21 48.6110 46.3800 48.2841 10.4655 10.0167 10.0448 243.572 24.2500 242.906 10.3973 10.3355 10.3469 10.3973 10.3355 10.3469

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5.0423 4.9829 168.330 166.920 3.9416 3.8267 2.2972 2.2749 40.1428 40.1955 5.7670 5.7422 2.1666 2.1684 6.7235 6.8559 1216.16 1210.15 1216.16 1210.15 3.9.0040 386.8310

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One month Rate %PA

Three months Ante %PA

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2.3 2.6 1.8 0.7 1.9 2.4

0.6 0.972 -3.3 2393.36 2.6 48.0741 3.0 2.6132 1.0 10.0276 -2.1 243.811 -1.8 199.224 0.0 10.395 3.1 1.6244

The interest rate cut has taken some of the shine off the All eves were on the pound pound," according to Mr Ian Harnett, UK group chief econoagain yesterday as sterling suffered a setback following its mist at SGST in London. "Peorecovery on Friday. Talk in the market again ple are recognising that interrevolved around whether, or to est rates are not going to be

what extent, last week's quar-ter point base rate cut to 5.75 reversed before the election, and so along with political risk per cent was politically motithe pressures are still for sterling to weaken."

Mr Paul Meggyesi, senior Favourable producer price numbers yesterday, which showed industry inflationary currency strategist at Deutsche Morgan Grenfell in London, pressures eased further in said that "even if you don't May, provided some backing think the rate cut was politifor the view that the cut may cally motivated, the move was have been justified by ecostill negative for the pound" nomic circumstances. Analysts since it signalled that the the authorities are "uncomfortable said the data reinforced the with a strong exchange rate". view that interest rates were Short sterling futures conset to remain low for a while, tracts, which fell sharply on Friday, recovered yesterday. Mr Tony Norfield, UK treasury - Prev. close -1.5390 1.5384 1.5379 1.5386 economist at ABN AMRO in London, pointed out that for the first time cince autumn

1994 short sterling contracts

2.6 -2.8 47.0741 1.8 8.9146 0.7 -1.6 7.8177

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One year Bank of Rate %PA Eng. Index

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104.8 108.3 107.2 83.4 108.9 108.9 108.9 108.9 108.5 108.5 108.7 08.3 94.4 80.2 89.5 110.4 85.8

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over the past year.

Against the D-Mark (DM per 2) 2.40 2.35 - 20 2.36 234 tions much better". 282-230 7

1996 Jun -Source: FT Edel

Sterling

were pricing in UK interest rates below US interest rates implied by eurodollar futures. This is a useful signal that, without the interest rate pick up, sterling is set to mova lower against the dollar," he two thirds. said.

Mr Hans Tietmeyer, the Bundesbank president, appeared to signal content hold as large a proportion of

their reserves in dollars as with the direction that the major currencies have taken they had done in the past. The report showed that cen-Speaking at the annual meettral bank intervention to suping of the Bank for Internaport the dollar against the yen tional Settlements in Basle, Mr in 1995 boosted foreign

Tietmeyer said "overall, exchange reserves at the fastexchange rates parities are bet-ter than a year ago" reflecting est pace since 1987, It also revealed that central "the different economic situabanks and governments financed more than two thirds He said the lira which had of the US current account defibeen undervalued was now cit last year, underlining the "more adequately" valued. extent of official intervention in support of the dollar in 1995. However, analysts were quick to point out that Mr Tiet-

meyer did not rule out any fur-Attention this week will be ther moves in currencies and on the Bundesbank council that the corrections may not meeting, with some expectayet be complete. tion that the central bank might take a step towards Figures in the BIS annual laxer monetary policy by adopting a variable rate repo. report showed that the dollar's

share in global official reserves has remained stable at about 1 O'T This flew in the face of much received wisdom which suggested that many developed economies no longer wished to

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Over night One year Lomb. Inter. Dis. rate Repo rate Three mithe Six milte ananth 7.00 7.00 3.60 3.70 4.50 4,50 2.50 2.50 2.50 2.50 2.50 Belgium week ago week ago Germany 3년39월 34 34 34 34 4 -3% 3% ***************** 334483354883328484 5.60 5.60 3.30 6.25 6.25 9.36 9.25 3.30 3% 3% 3% **************** wooi hydynd 200 5% 51 91 54 week ngo Italy 5% 2 9.00 9.00 3.00 1.50 1.50 5.00 5.00 0.50 0.50 week ago Netherlande waak ago heltzerland 9% -2% 24 24 3% 3.30 ****** 5.00 5.00 work not US. 54 Ξ weak ago week ago N S LIBOR FT London Interbank Fisiog 54 54 5.17 5.10 84 61 54 54 week ago US Dollar CDs week ago ECU Linked Da 49944435 5.86 4% 4% 38 444 344 34 week ago SDR Linked Da week ago LIBOR Interf Mid rates are above for the do ac Money Rates, US\$ CDs. BOU & 80 EURO CURRENCY INTEREST RATES **Jun 1**0 Short 7 deys One Three One

WORLD INTEREST RATES

One

MONEY RATES

June 10

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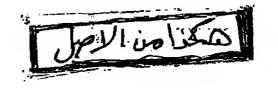
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Belgian Franc Denish Krone D-Mark Dutch Golder Franch Franc Portuguese Etc. Spanish Peseta 3313 23 344 いないないない 3-4-3-21-4-7-4-5-33.33 387 74 3.563847.52445.84 34334776256833 34.3.3.4.7.7.6.2.5.5.8.8.2.2. 34432374 る語うな強な人 54.83.43.87.74.74 34 34 34 34 74 - 22 laned rate (FFr 5m) Est. vol Open int. 7,971 9,892 2,106 46,020 55,529 21,124 ts of 100%

kun 10		Closing mid-point	Change on day		foffer read	Day's high	a saaid ideer	One fate	%PA	Three m	%PA	One y Rate	16PA	LP Morgan Index	US Doller Italian Linu Yen	54 6 1	· · · · · · · · · · · · · · · · · · ·	- 848 - 6	Å 6	678 - 57 8月 - 8以 五 - 分	54 - 54 時 - 時	516 - 51 618 - 51 816 - 51 816 - 51 816 - 51
Europe Watris	(Sch)	10.8094	+0.0107	073	- 115	10 8240	10,7990	10.7899	2.2	10.7479	23	10.5844	2.8	104.6	Asian SSing Short term			- 212 2]		212 - 276 Wooden mo	25g - 212	24 - 2
elgium	(BFI)	31.6000	+0.02		- 200		\$1.5650	31.545	21	61.43		- 30.89	22	106.2		MONTH	PIBOR FUT	URES (MA	TIF) Parts	Interbenk o	fiered rate	(FFr 5m)
mark	(DKr)	5.9295	+0.005	280	- 610	5.9966		5.922	1.5			5.836	1.5	106,4	· · ·	Öpen	Sett price	Change	High	LOW	Est. vol	Open k
bnete	(FM)	4.7101	-0.0007		- 193	4.7184		4.7036	1.7	4.0916		4.6461	. 14	82.5	Jun	98.02	96.03	+0.01	96.04	96.02	7.971	. 46.02
nce	(FFI)	5.2095	+0.0048		- 040	5.2095		5.1968	1.8	5.1823		5.1145	1.7	108.3	Sep	85.92	95.91	-0.02	95.94	95.90	9.692	55,52
ormany	(DM)	1.5380	+0.0018		- 362	1.5382	1.5339	1.6335	2.0	1.6277		1.4995	24 -7.8	197.5	Dec	95.77	95.77	-0.01	95.90	95.78	2,106	27,12
eace tand	(D1) (23)	1.5726	-0.0072		- 738	1.5789		1.5732	-0.4	1.574		1.5855	-7.8	67.0				•				
	ີ ມີ	1551.40			- 200		1540.15	1566.15	-3.7	1564.3		1587.05	-2.9	76.1	1	·						
prendound	ເມື	31.6000	+0.02		- 200		31,5850	31.547	20	61.4405		30.96	2.0	106.2			SUROMARI	C PUTURE	as (LIFFE)	DMTm po	rts of 1005	
theriands	(F1)	1.7196	+0.0017	190	- 200	1.7249		1.7162	2.3	1.709	24	1.5773	. 25	106.2		Open	Sett price	Change	High	LOW	Est. vo	Open i
way	(NRG)	6.5651	+0.0025	612	- 688	6.5744	6.5260	6.5821	0.5	8.5568		6.6201	0.7	97.8	Jun	96.67	96.65	-0.02	96.67	98.65	9300	16296
rtugel	(56)	158.350	-0.02		- 400		157.970	158.665	-2.4	159.255		161.4	-1.9	94.5	Sep	96.71	96.67	-0.04	96.72	96.67	33441	23748
nia di second	(Pta)	129.595	+0.135		- 620		129.530	129.845	-2.3	180.275		161.815	-1-7	79.9	Dec	96.50	96.4B	-0.02	96.52	86.47	20141	20337
rectan	(SKr)	6.7489	-0.005		- 533	6.7651	6.7427	6.7599	-2.0	6,7774	-1.7	6.8194	-1.0	88.9	Mar	96.23	96.20	-0.02	98.24	96.16	14571	17502
tizerland	(SFI)	1,2670	+0.001	666		1.2708		1.2634	3.4	1.256	6.5	1.2225	3.6	109.7 96.8	THERE A	HONTH	EUROLINA	FUTURES	(LIFFE)" (1000m pol	nts of 100%	6
	(22)	1.5313	-0.0104			1.5377		1.5308	-0.7	1.5304		1.5292	0.1	90.0		. Open	Sett price	Change	High	Low	Est. vol	Open la
Rt	_	0.69272	-0.0003	310	- 316	1.4.323	12300	1.4341	-4.7	1.450.37	-0.0	1.2420	-0.8			61.23		+0.03	91.26	61.21	3736	
	-	Q.OOLTE	-		-	-	-		-	-		-	-		Jun .	91,80	91,24 91,64	+0.04	01.85	91.80	5062	39541
oentina	(Peac)	0.9966		995	967	0.9996	0.9985				-			-	Dec	92.12	92.14	+0.03	92.17	92.12	1300	28743
al l	(F3)	0.9997	+0.0005	995	- 998	0.9999	0.9992					1.11			Mar	92.20	82.20	+0.05	92.21	82.17	487	12923
obec	CS	1.3638	-0.0015	635	- 640	1.3847	1,3625	1.3630	0.1	1.3839	0.0	1.3667	-0.2	83.8		ROATH					Frim points	of 100%
	w Peso)	7.5025	-0.0195	000	- 050	7,5070	7,4995	7,664	-25.8	7,849	-18.5	9.6125	-26.1			_						-
SA	(5)		-						-	-			· •	98.3		Open	Sett price	Changa	High	LOW	Est. vol	Open in
ctic/Middl	AS)	1,2607	-0.0027	604		1,2617	1,2600	1,2627	-1.8	1,2662		1.2549		95.3	Jun	97.4B	97,49	-0.01	97.53	97.4B	1909	19730
ng Kong	(-RCD)	7.7365	-0.0008			7.7416		7.7402	-0.1	7.742	-1.7	7.768	-1.8	80.0	Sep	97.49	97.46	-0.02	97.53	97.46	3815	38749
	(130)	34,8000		000			34,5700	34.95	-52	35.266	-52	36.726	-5.5		Dec	97.28	97.27 96.96	+0.01	97.32	97.27 . 96.95	636 129	14973
104	(Shik)	3,2561	-0.0124			3,2008	8.2510					-										0/4/
Den	m	109.085	+0.035			109.530	108.880	108.64	4.9	107,74	4.9	104	4.7	134.8		MONTH	RINOYER I	0.01.00	JAFFEJ Y	uum pointa	or 10076	
ayela	(145)	2.4990	+0.0015	985 -	995	2.5010	2,4978	2.4999	-0.4	2.505	-1.1	2.8295	-1.2		(·	Open	Sett price	Charige	High	Low	Est, vol	Open in
w Zeelend	(NZS)	1.4854	-0.0071			1,4865	1.4839	1,4865	-2.5	1.4943	-24	1.5189	-2.3	· -	Jun		96.99	-0.01		-	0	n/a
Ropines	(Peso)	26,1800		400 -		26.2200			-				-	-	Sep		89.11	-0.02			0	n/a
ucii Arabia	(SPC)	6.7505		504 ·		3.7507	3.7504	3.761	-0.1	. 3.7517	-0,1	3,755	-0.1	-	Dec	98.76	98.78	-0.04	98.76	99.78	558	n/a
gapore .	(26)	1.4093		088 -		1.4100	1.4085	1.4058	3.0	1,9998	27	1,3743	2.6	-	I THREE	HONTH	ICU PUTUR		Ecu1m p	oints of 100	3%	
uth Africa	(F)	4.3540		526		4.3830	4.3440	4.401&	-13.1	4,4916	-12.6	4.829	-10,9	-		0	C. Haules	-	10.4	1.000		One i
wan	(Won)	790.400 27.7810		260 -		791,300 27,8170		27,796	-0.2	27.741	-01			-		Open	Sett price	Change	High	Low	Est. vol	Open in
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Juzz 10 BPr DKr FFr DHA B2 L Fi Belgiuma (BFr) 100 18,75 16,47 4,861 2,013 4810 5,47	NRC Es Pes SRC SP E C\$ \$ Y Ecu 2 20.91 501.1 412.6 21.95 4.008 2.087 4.315 3.164 345.1 2.570	IN THE HIGH COURT OF JUSTICE
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France (FFr) 80.73 11.40 10 2.952 1.222 2982 3.32 Germany (DM) 20.57 3.861 3.388 1 0.414 1010 1.12	4.305 103.1 84.86 4.392 0.825 0.425 0.888 0.651 71.00 0.529	GETTY COMMUNICATIONS LIMITED
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Sweden (SK) 46.84 6.790 7.713 2.277 0.943 2300 2.58	6.797 234.6 193.2 10 1.878 0.968 2.021 1.482 181.7 1.204	the confirmation of the reduction of the share premium second of the above assured Company KAI Iteratics Sci
Switzerhand (SFr) 24.94 4.680 4.107 1.212 0.502 1225 1.38 UK (E) 48.39 6.080 7.966 2.352 0.974 2378 2.64	10.12 242.5 198.6 10.33 1.940 1 2.088 1.531 167.0 1.244	by £2,158,9(4, ANT NOTICE if further given that the sold
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Japan (Y) 28,96 5,437 4,771 1,408 0,583 1423 1,586 Ecu 38,91 7,301 6,407 1,681 0,783 1910 2,126		Strand, Looden WC2A 212 or Wednesday the 19th day of June 1996. Fried. Krupp AG Hoesch-Krupp
Danish Kroner, Franch Franc, Norwogian Kroner, and Swedian Kroner per 10; Belgian Franc, Yan,	Escudo. Lim and Peoets per 100.	Any Creditor or Shareholder of the said Company during to epoper the making of an
D-MARK PSTURES (MM) DM 125,000 per DM	A JAPANESE YAN PUTUNIS (MM) Yen 12.5 per Yen 100	Order for the coeffirmation of the said cancellation of share premium account should
Open Latest Change High Low Est. vol Open in Jun 0.6503 0.6517 +0.0005 0.6520 0.6603 29,284 64,344		appear at the date of the heating in person or by Counsel for that purpose
Sep 0.6540 0.6552 +0.0005 0.6556 0.6536 9.085 18,566	Sep 0.9272 0.9295 +0.0015 0.9312 0.9258 13.344 24.744	A copy of the mild Petition will be furnished to any periods requiring the same by the 5 Year Loan Facility
		Indernoot need Solicitons on payment of the Regulated Change for the name.
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Benk Bitts 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513 - 513	Portugal 195.792 197.462 -0.113 0.85 0.55 -6	personned to Har Markany's High Coan of Junice London Branch Chancery Division on 28th Mary 1996 for the confirmation of the markation of state capital from Deutsche Bank SpA Istituto Bancario San Paolo di Torino SpA
Local authomy dops. 5/2 - 5/2 5/2 - 5/2 5/2 - 5/2 5/2 - 5/4 6 - 5/2 6/2 - 6/2 Discount Markat dops. 6 - 3/2 5/2 - 5/2	France 6.40608 6.48322 -0.00573 1.20 0.20 -10 Demoerk 7.28580 7.38830 -0.00258 1.41 0.00 -10	confirmation of the reduction of the reduction of the reduction of the reduction of the above str.100.000 to 57.012,243, the excellation of tof.5500 to service and the control redemptore reserve and the reduction of the above Istituto Mobilizare Italiano SpA Monte dei Paschi di Siene
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Up to 1 1-3 3-6 6-8 9-12 month month months months months	Greece 292,857 302,210 -0.278 6.19 -1.78 - Indy 3196,1& 1932,62 -4.81 -8.24 10.51 -	AND NOTICE is further given that the sald Pathion Tice is further given that the sald Pathion Co-Lead Managers
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Cents of Tax dep. under \$100,000 is 21-pc. Deposite withdrawn for cash 14-pc. Are, lander rate of decount on Jax 6, 5300/pc. ECOD Stard rate Sig. Export Financa, Males op day May 31, 1956, Agreed rate for period Jun 26, 1956 to Jul 27, 1966, Schemas II & R 7.35pc, Reference rate for period May 1, 1996 to May 31, 1986, Schemas IV & V 6,104pc, Research House Base Rate 63.5pc from Jun 1, 1996	 Ecu cantal rates out by the Europeen Commission. Currencias are in descanding relative strength. Percentage changes are for Ecu; a positive change denotes a weak connercy. Descence shows the ratio between how strength: the concentrate difference between the active mode are under an end of the test. 	1980 day of June 1996.
rate for period May 1, 1996 to May 31, 1996, Schemen IV & V 8,104pc, Finance House Base Rate 8,50c from Jun 1, 1996	ntic between two ecreating the percentage difference between the actual market and Bou central nates for a currency, and the regularum permitting percentage deviation of the currency's market rate from has four central rate.	deniring to oppose the making of an Order for the confirmation of the axid reduction of these capital. Participant
THREAD MONTH STERLING FUTURES (LIFFE) 2500,000 points of 100%	(17/UR2) Sharing and tailon Line autoencied from Stall, Adjustment calculated by the Financial Times. III PERLADEL FIELA SE 5/5 OPTIONS 231,250 (cents per pound)	essevilation of study pressures and reduction returns and reduction of study pressures account should appear at the store of the locating is pressure of the county is pressure of the locating is pressure of the county is a pressure of the locating of the locating is pressure of the
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SHORT STIRLING OPTICIES (LIFFE) 2500.000 points of 100%	Previoue day's vol., Calle 4,378 Puts 5,392 . Prev. day's open int., Calls 196,573 Puts 191,605	Soficion to the Company
Strike CALLS	THREE MONTH EUROPOLLAR (MM) \$1m points of 100%	
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9425 0 0.08 0.08 0.15 0.19 0.44	Jun: 94.41 84.41 -0.01 94.42 84.40 73,053 331,297 Sep 94.07 94.07 - 94.08 94.08 164,119 398,590	Templeton
9450 0 0.01 0.03 0.40 0.39 0.64 Est. vol. total. Calls 5910 Puts 7957. Previous day's open int., Calls 189127 Puts 139017	Dec 96.70 93.70 - 93.73 93.71 250,818 422,859	Texasiens Glabal Stratery Story
	I US TREASURY BILL FUTURES (MM) \$1m per 100%	Socialit d'Inventissement à capital veriable Centre Neuberg, 30, Grand-rue, 2-1660 Lazembourg
	Jun 94.87 94.88 +0.01 94.87 94.88 302 8,185	
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BASE LENDING RATES	All Open Interest figs. we for previous day III JOURGELARK OPTIONS (LIFFE) DM1/m points of 100%	Prede as of recent on June 6, 1996, against presentation of the aspective company:
Adam & Commerce 575 Dancan Lawren	Strike CALLS PUTS	Fund Currenty Austan per Compose Payment
Alled Taust Sank	Price Jun Jul Aug Sep Jun Jul Aug Sep	Tompicton Global Lacome Anal - Came A USD 0.13 9 14:06:1995
etienry Anabacher	9650 0.15 0.16 0.21 0.22 0.01 0.02 0.04 0.05 9675 0.01 0.03 0.08 0.07 0.11 0.11 0.14 0.15	Theoplatin Baseplag Machine USD 0.235 9 14:05:1996
Bank of Biroda	9700 0 0.01 0.01 0.01 0.35 0.34 0.34 0.34 Est, vol. total, Calls 3990 Page 5554, Provious disy's com int., Calls 355796 Page 400142	Principal Paying Agent:
Bank of Oypus	I SURO SURDE FRANC OPTIONS (LIFFE) SFr 1m points of 100%	Chase Manhaton Bank Laxenbourg 6.A. 5. ras Piretis Send your Send your
Bank of india	Strike GALLS Price Jun Sep Dec Jun Sep Dec	L-2338 Lonanthoury
Barclays Bank	9750 0.04 0.15 0.14 0.05 0.19 0.37	The Shares are unded or dividend as from June 7, 1996. For further information. Shareholders are invited to contact their nearest Templeton
Bit Bit of Mid East	9775 0.01 0.06 0.06 0.27 0.35 0.54 Est, val. crail, Calls 0 Pols 0. Previous day's open int., Calls 11049 Puss 6971	affect
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The Co-openative Bank 6.00 Medical Bank Ltd	Strig CALLS - CALLS - PUTS	QUALITY PROMOTIONAL GIFTS
Count & want of Te Maunt Credit Corp 6.25	Prica Jun Sep Dec Jun Sep Dec	(44) 131 469 4000
Cyprus Popular Bank	9100 0.25 0.92 1.24 0.01 0.08 0.10 9125 0.05 0.70 1.01 0.08 0.11 0.12	(44) 131 469 4000 The Board of Directors The Board of Directors STEWARD STREET, BIRMINGHAM B18 7AF, LLK, FAX: 0121 454 1497

D STREET, BIRMINGHAM B16 7AF, U.K. FAX: 0121-454 1497



FINANCIAL TIMES TUESDAY JUNE 11 1996 28 LONDON SHARE SERVICE INVESTMENT TRUSTS - Cont. ALCOHOLIC BEVERAGES CHEMICALS HOUSEHOLD GOODS Cont - Cont
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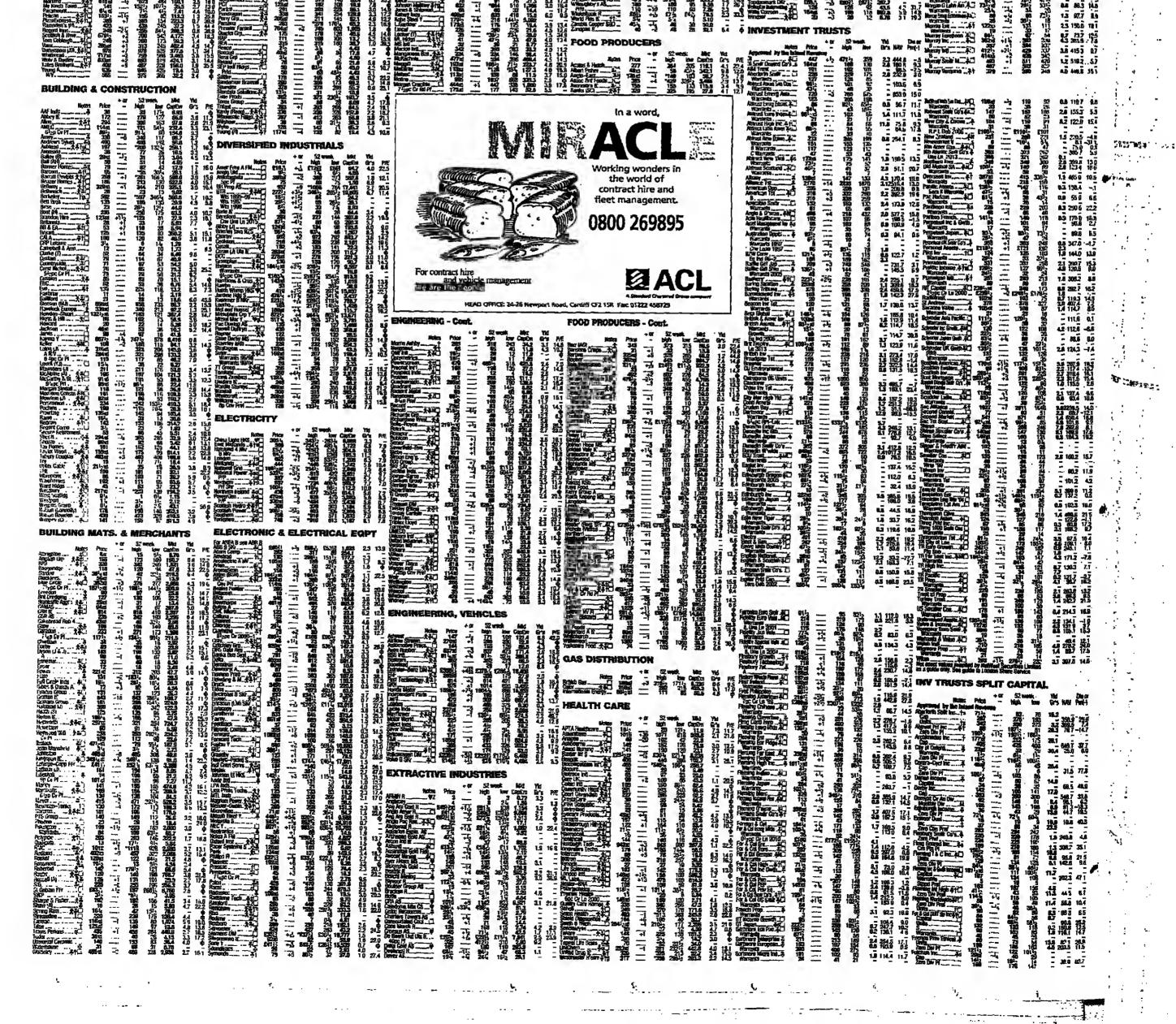
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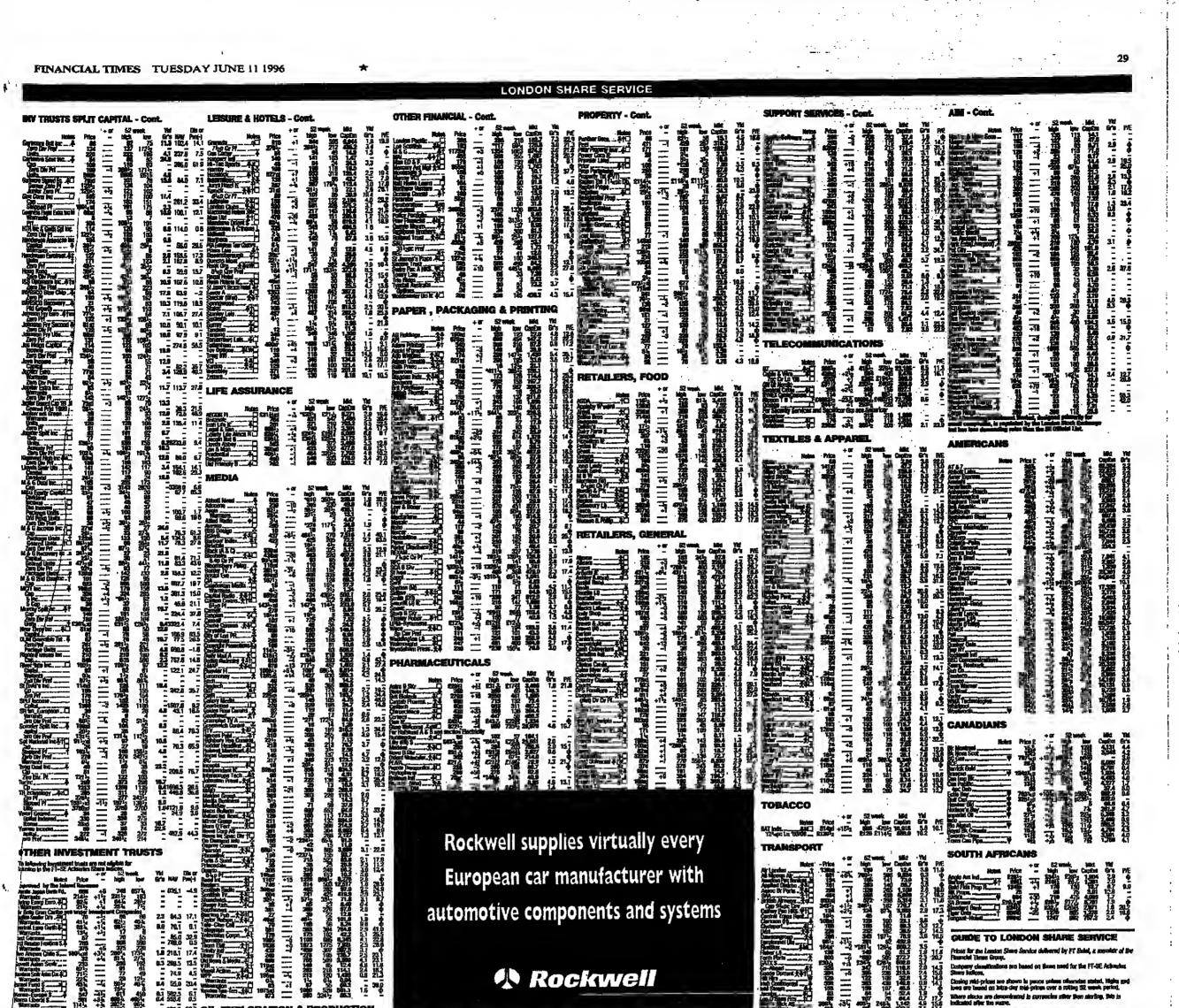
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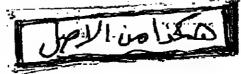
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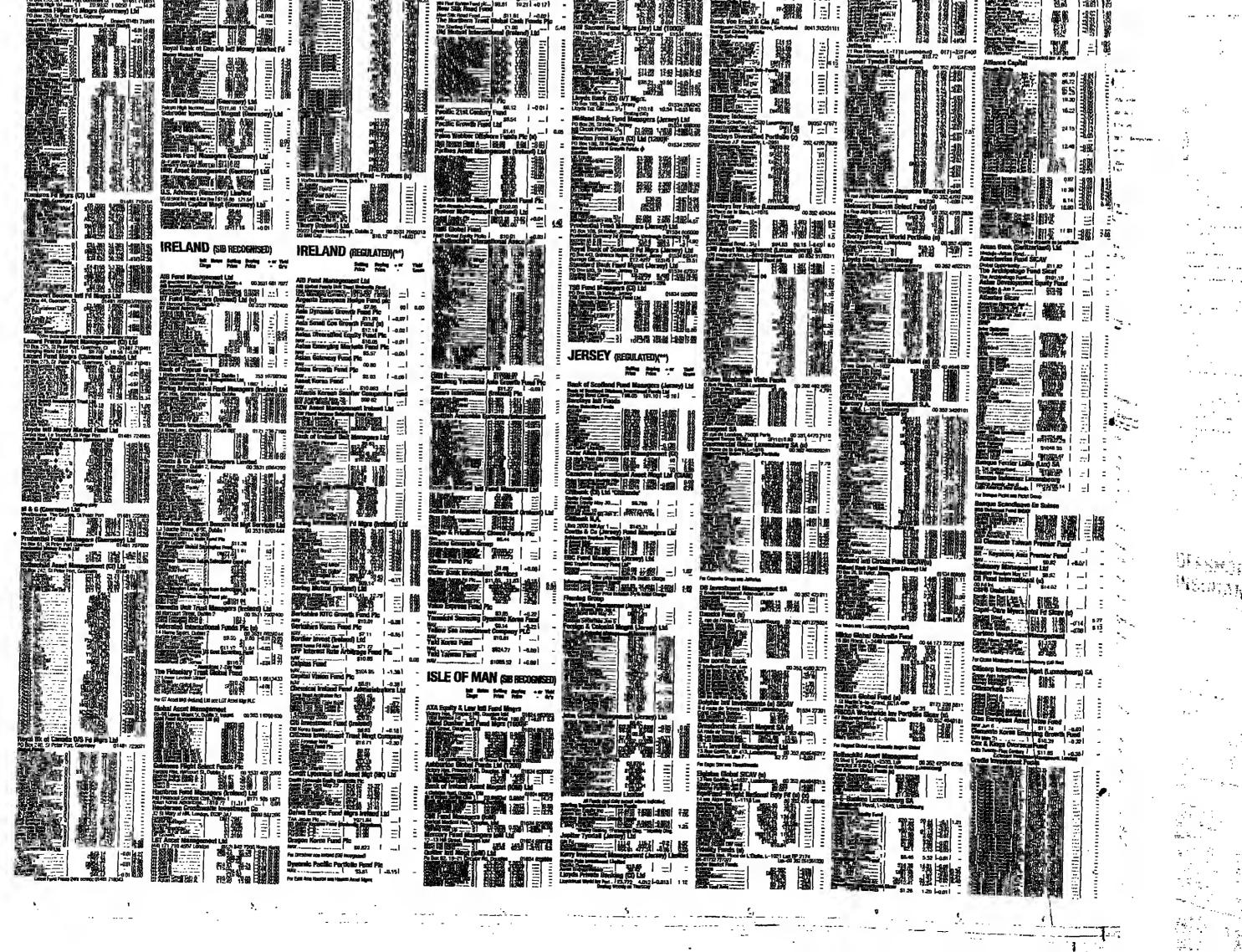


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FINANCIAL TIMES TUESDAY JUNE 11 1996 30 FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. **OFFSHORE AND OVERSEAS** Fidelity Fosts Prier Pol Chemistry 17481 725021 に、 BERMUDA (SIB RECOGNISED) 14 = -6.0 1 --- I --記載 M2. 15 lat teles Salling Bayles + or Yell Carpo Palar Palas - Gris Ξ GUERNSEY (REGULATED)(") 1 18 Sind Dat AN (REGULATED)("") Re Carl The Final Stress Content of the -0022 \$10.31 | -Q.16| 10017-02 羅 CON YEAL 1987 A/Ac 92.42 | _ | - [4] & [4] **Hea** Locavorid Financial Services 1 Imi - Substr 闍 ST0.51 11.08 新聞 2.0 38 10-000 Teresta 1001 608 292 270 115.25 **34** - 2 10.0 18 Aust Management Ltd ALL THE Meangerman Br SIBSI |-003| States Instition Fill Bis 188 1 133155 Rumard Except Land 1 onthes lav Mng Sylves International Fund Management Songotta (Changel Islands) Limited 100 h;; 741. 28 Sie. BERMUDA (REGULATED)(") The Portugal Fund L And Annual Sciences 113 攟 - 1: - ī 고고 E (Jersey) Ltd 0.332 444 (1+2.9 E un de March (u) **観勝**| For Ulstar Berls Statut ung jair af inge (SES Templetop Global 1 30 Gange Rev L-2011 L **E**[] JERSEY (SIB RECOGNISED) - 292 11:11 talt Balles Salling Baylong + or Yold. Career Price Price - Drie 289) Gertmore Land -HYDR ASSET MUNingentierit (Antsey) [12] PasSite House (Status (Status (Status (Here))) Worthforward (Herengers) Jervery [13] Postmenet in Fot 1 -- (Status 200 200 30) -- (Status Hydrigs (Herenger)) timore Liccomboling SA (u) 510.40 +0.01 ers (CI) Ltd 12 Anitan SCate 00 152 40 74 70 \$0 4T 1+0.24 110R 1-0.021 2.3 LUXEMBOURG (SIB RECOGNISED) 81534 81270 THEFT BURNER nad We 2 2531 407 2000 1994 We 2 1-0.06/5.00 101,32 1-0.06/5.00 art Ltd **LADRE** talt tartes Tables Baylag - or Yith Dage Pilos Pilos - Dra -078 and an increased and increased J+0.12J ~074 Pulla. High Austichtung Kanagement SA (b) Heutichtung Kanagement SA (b) Kutokenan Ka 1) Cores Street, Language 31- C 50.4152x 0 4303 4302 15 Ltd mill Lynch Succession =1 = Bong Sond B Threadness (and family a surve (and family a surve (and family a surve (and family a survey (a survey) a survey Could INER: and Produced S insent Ltd LET Asset Manag Abbrast Fend Prolific Internation 53 Provident Squart, Terminer 0171 200 3700 userand Royal L ars Inti Ltd (2) Lotus Fund Pic Andrea Anna Indiana **警** San Branges ALL AND Antrix Fund Courseur Pla +3.07 The Grant Table Standay Ltd (1000F Standard Table Standay Ltd (1000F Salar High Ξl For Hype Foreign & Colonial and F orean & Coonist WAS Partners and Concount What, Mar 24, London St.) 8171 232 JOSA LUXEMBOURG (REGULATED)(*) GUERNSEY (SHB RECOGNISED) Hongo Concordia mana, a Hango Cit. PO Ban 271, Sa Honga, J Ana Estapo Camp Fa H Hannang Banga Ant Hannang Camp Ha H Hannang Camp Ha Atting Volum Wanny Atting Volum Wanny Atting Volum Strong Shoper & Friedland Shoper & Friedland Shoper & Friedland 1.16 2.00 3531 Bert A Plan of The Annual Constant of an and a second of a se 盟 調査者 IS Note cannot Maniagement i BAH Assort Maniagement i III Peccality, London WIY GE Internation Front New York 31 1.584 ngest an Trined Miteries 0171 734 3700 翻講 \$610.98 |∧210| -E0.9932 1 0050 10211+012 Bank Voe Ernst & Cle AG 1 +0.00 Denters 01461 710861 0041 313291111 邐 1000 BEE RITHING BUILD

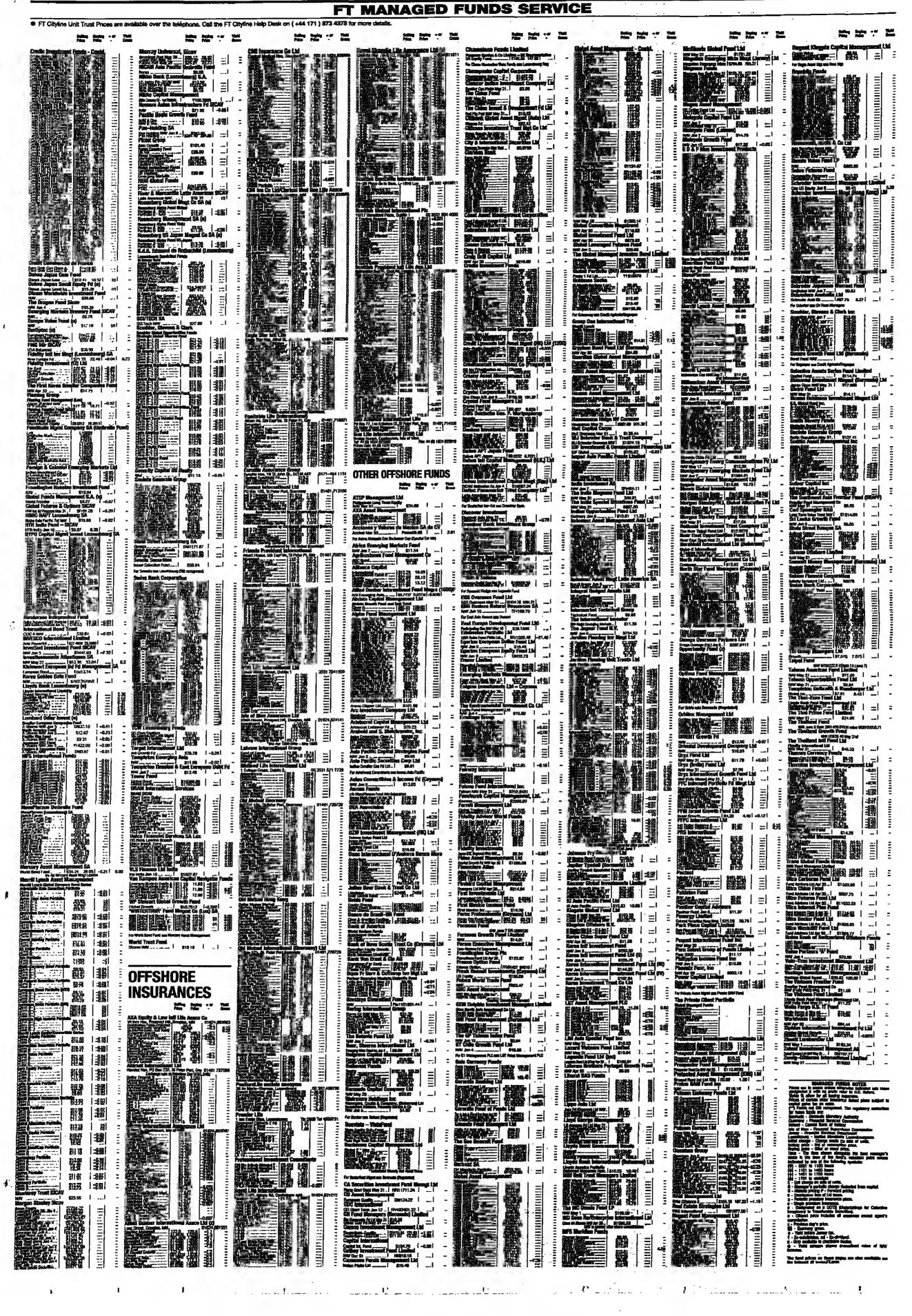


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LONDON STOCK EXCHANGE

MARKET REPORT Producer price news helps UK equities rally

By Steve Thompson, UK Stock Market Editor

32

Better than expected UK producer price data and Wall Street's astonishing recovery last Friday, when it closed 29 points up after an initial 80-point fall, saw London's equity market regain its composure and make strong progress yesterday.

But a number of dealers around the City's trading rooms warned of the potential for more market upsets on both sides of the Atlantic throughout the week.

It was a startlingly strong US non-farm payroll report published on Friday, showing twice the amount of new jobs than had been

expected, that triggered the big ini-tial slide on Wall Street and across European stock markets.

The leap in the non-farm payroll ignited fears that the Federal Reserve will increase US interest rates, to stifle inflation, at the next Federal Open Market Committee meeting on July 2.

"It has been a tricky time in London over the past week or so and I do not expect it to get any easier," said the head of marketmaking at one of the top European securities houses. "I do not trust the market at these levels," he added, pointing to a long list of company news items expected this week and the slew of crucial economic data in the

the first day of its new, stream-

lined capital structure, with

sentiment running visibly counter to the bullish tone

adopted by a number of broker-

straightforward profit-taking

after the recent strong run.

But there were also whispers

that part of the management

stake had found its way inin

The new capital structure is

aimed at making the stock

more accessible to both buyers

and sellers, and vesterday it

was rumoured that a number

of long-term holders had been

NatWest's fair value price for

BT was the most active Foot-

of the US, in a deal that takes in Japanese telecoms giant

A shortage of stock was said

the shares is 350p, while it pin-points 385p as its overall target

Dealers said it was a case of

age houses.

the market.

10 cheaper at 310p.

id premium

US and Europe during the period. The real disappointment in the market yesterday came with the dismal level of activity. Turnover at the 6pm calculation came out at a worryingly low 518.9m shares, the poorest daily turnover level for many weeks.

That number is expected to reflect a level of customer activity closer to fibn than the near fibn numbers of recent sessions. At the close of business, the FT-SE 100 index was 32.0 higher at 3,728.8. There was again much less conviction about the second liners, represented by the FT-SE Mid 250 index, which struggled to make any real progress for much of the ses-

sion, before gaining momentum and ending a net 6.8 up at 4,452.6. There was disappointment at

Wall Street's performance yesterday, when the Dow Jones Industrial Average gave up around 25 points shortly after trading began. And later this week the US mar-

ket has to contend with producer price numbers - due today - inflation figures tomorrow and retail sales data on Thursday. Friday brings details of industrial and manufacturing production. UK data due this week includes

unemployment figures and inflation news for May, both of which upset market sentiment. Wadnesday sees Mr Kenneth threat of other big rights issues.

hardened to 116%p.

Clarke, chancellor of the exchequer, and Mr Eddie George, governor of . the Bank of England, addressing the assembly at the Mansion House. The day's big story was the news that Standard Lifa, the Scottisb mutual, is to sell the majority of its 32.5 per cent stake in Bank of Scotland via a secondary offering, in the form of a book building exercise. There was talk in the market yesterday, however, that the stock could be sold much sooner, via a

placing around tha 225p a share mark. While a placing would remove one of the big stock over hangs that have capped the stock market recently, there remains the

4 Oil Exploration & Prod 5 Oil: Integrated results. ABN Amro Hoare Govett trimmed by £1.5m to move marks a renewed attempt to break price-fixing

by drug manufacturers. Asda £35m for this year. The second tier of brewing Shell Transport climbed 13% and restaurant companies was to 927%p with help from news active, led by Regent of its involvement in a new which jumped 9 to 2480 Dow Chemical polypropylene ing its five-for-one shar venture. It was also supported and the announcement had taken a 5.55 per cent by currency shifts. Cairn Energy jumped 27 to in Surrey Free Inns, th 301p on speculation of a bid stock. Surrey rose 2 to 27 from Mobil. Analysts felt. a The stake brought a w speculative interest to a takeover was unlikely but of the smaller companies sector, including J.D. Wether-spoon, up 7 at 978p. Porter Chadburn hardened

the news that the company's £10m rights issue had achieved a 95.3 per cent take-up. MARKET REPORTERS:

Peter John, Joel Kibazo, Jeffrey Brown, Liss Wood.

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FINANCIAL TIMES TUESDAY JUNE 11 1996

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FT-SE 100 FT-SE Mid 250 FT-SE-A 350 FT-SE-A All-Share FT-SE-A All-Share yield

Leisure & Hotels

14

Ang Sep Dect

	Gaming and leisure company	Jeffrey Brown, Lisa Wood.	
-10	Ladbroke Group shrugged off	LONDON RECENT ISSUES: EQUITIES	
y's he	recent weakness and put on 6 at 188p, to make it the best	ksue Amt Md. Close Major Stocks Yesterday	
	performer in the Footsie. Vol-	price staid cap 1996 price Nat Div. Grat P/E Vol. Closing Day p up (Sm.) High 'Low Stock p +/- div. cov. yid nat	
	ume was a busy 9.1m.		
6.7	Tha shares fell back last week on news that Hilton	105 F.P. 12.5 124 118 TCA Coulds 115 About Store 1000 46	
.76	Hotels, of the US, was acquir-	00 F.P. 10.9 108 98 TCarlshoola 108 Miled Domeost 2.000 475	
.76	ing Bally Gaming. Dealers	- F.P. 58.2 81 38 fEmillark 85 - Anglan Water 296 586 - F.P. 20.6 116 89 fEpic Multimedia 88 -7 - Argont 142 766 115 F.P. 48.8 158 130 European Telecont 737 +11 - Argont Group 1 1,000 358	
35.	suggested thet the move cast	[13] FJF, 40.0 [30] [30 [30 Cullipani [enotici]] [37 41] = Add Maxima 10(0) 174	
	doubts on the possibility of a merger between Hilton Hotels		
7	Corp and Ladhroke's Hilton	100 TAT 144 TO TE TROUTSYMEROF TO TE DEA 2600 306	
0	International.	- F.P. 1.38 65 50 [Piercide Prop 55 BAX 100 F.P. 7.74 115 112 (Pyder-Oynamic P 115 -1 BAT Inda 1 5,600 514 15 - F.P. 27.2 101 50 [WM990C) E & IC 97 BAX - F.P. 14.2 115 106 [independent Stay 108 BEC 1 457 2223 4 200 F.P. 43.5 300 253 Lummer 230 42 LSD 22 2.6 16.2 BCC 1 646 939 - F.P. 34.2 201 165 [independent Stay 108	
88	However, talks between the		
5.7 63	two groups continue and one analyst said yesterday, "We see	F.P. 29-2, 225 180 Priam Rei 225 420 - BPS india, 71 220	
2	little connection between Hil-	190 P.P. 2060 288 205 February 2 15 412 W20.6 2.6 6.4 7.5 677 12200 3083 70 FP. 32.4 123 103 Recognition 5/s 120 Birth of Socialism 102,00 2725 33 FP. 24.5 99 90 Remainstance US G 99 Birth of Socialism 7,700 249 -16 Berliver 7 998 - 16 Berliver 998 - 16 Be	
	ton Corp buying Bally and tha	- F.P. 24.5 99 66 Remainsance US G 68 Barris of Scotland† 7,700 246 -16 F.P. 18.9 75 75 SEA Mailtonadia 75 - Barciayof 936 766	
70	talks with Ladbroke."	F.P. 16.9 75 75 SEA Moltomadia 75 - Buost 1,300 8102 et F.P. 18.8 196 96 Schooler Venture 164 - Buo Carcler 1,500 362	
	There was keen interest in	F.P. 97 90 Tabuen Inv Tat C 91 ¹ 2 Booker 122 382 F.P. 22.5 15 74 Thomas Potts 12 ¹ 2 - Booker 1.000 565	
	leisure giant Rank Organisa- tion as the market digested	Brit Arrossort 1200 961 4	
-	Friday's announcement after	† Alternative investment Market, For a full exclamation of all other symbols binance refer to The London British Biotech 403 2703 #1	
8	the market close that it is	Strang Service poces. British Card 10,200, 189 a British Land 351 408	
5	acquiring the Hard Rock Cafe	FT GOLD MINES INDEX	
	restaurants it does not already	" has the has year from the P/F 50 much forthert 4 and 155.	
7	own. The shares rose 11 to 511p in trade of 2.3m.	7 an liny 6 ago yint % rate High Lee Oate 6 West 1300 25 12 Eeld Miner Index (31) 2178.00 -0.5 2187.01 1890.25 1.41 - 2520.73 1722.14 I Regional Indices	
- {	Thorn EMI rose 5 to 1838p	Bold Mines Index (31) 2178.00 -0.5 2187.01 1890.25 1.41 - 2520.73 1722.04 Caracon Compa.t 1,000 alter	
	ahead of today's final results.		
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	ford dropped 15 to 202p follow- ing broker profits downgrades	North Ambridge 101 201 201 201 201 201 201 201 201 201	
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ŀ	21 Building & Construction(34) 1204 22 Building Matts & Morchs(23) 1814	L01 +0.1 1202.55 1203.67 1206.29 969.23 3.42 1.90 20.32 20.76 1009.69 Lunit Sociation 1 99 622 +	
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	24 Olympified Industriate(19) 1887 25 Electronic & Elect Equip(37) 2444	102 -0.1 2450.50 2471.95 2444.44 2046.08 3.02 1.67 24.78 16.10 1263.89 43MOT 1.200 177 3	
	26 Engineering(71) 2432	213 40.3 2424.60 2433.32 2413.30 1872.70 3.10 2.30 13.00 1473.10 Lonto 378 183	
	27 Engineering, Vehicles(13) 3056 28 Paper, Poleg & Printing(28) 2618	126 409 ····· 26 17.72 2651.71 2645.44 2963.56 3.91 1.98 16.12 55.09 1085.95 MEPC 126 409 ···· 24	
1-	29 Textiles & Apparek(18) 7410		
	30 CONSUMER GOODS(80) 3608 32 Alcoholic Beverageo(8) 2741	10 .0 7 2750 64 0777 44 0770 00 0750 40 4 57 1 00 10 04 74 70 001 04 Million birt 275 44	
1	33 Food Producers(23) 2460	LO4 +0.4 2448.38 2461.74 2458.45 2517.42 4.22 1.88 15.74 58.28 1118.60 NFC 746 151	
	34 Household Goods(15) 2678 38 Health Cara(20) 2091	an and an store an anoth the 1770 At a part of an an another and National Gridt 3.200 1881214 -24	
	37 Pharmaceuticais(12) . 4836	1 +0.6 4909.75 5038.17 5003.65 4030.05 3.40 1.88 19.56 91.16 1701.02	
1-	38 Tobecco(1) 4348 40 SERVICES(233) 2536	180 +3.0 4222.73 4354.03 4417.56 4210.59 5.84 2.12 10.09 156.18 1092.64 Northern Exec. 20 567 Northern Foods 116 191 -1 182 +0.3 2529.72 2550.00 2545.69 2034.37 2.83 2.04 21.72 45.56 1325.17 Pageorf 1.100 65612 -9	
1	41 Distributors(32) 2973	.81 +0.6 2956.72 2961.17 2957.28 2595.81 2.87 1.76 24.73 38.84 1097.73 F& OT 656 505 11	
	42 Loisure & Hotels(23) 3165 43 Media(46) 4177	ل 1.400 + 1.2 1914/4-5 1914/1912 2004/10 22424/1 2.78 1.180 2.510 142.10 1/12.09 Pomenticent 1,400 470 -5 1,52 + 1,22 1422.51 4202.52 4198.58 3015.48 2.15 1.95 29.77 49.56 1.512.17 Pomenter Formet 85 70.4 3	
1	44 Retailers, Food(15) 2062		
	45 Retailers. General(43) 2099 47 Brewerles, Pube & Rest (24) 3188	.65 +0.1 2096.27 2113.72 2099.36 1852.21 2.96 2.16 19.39 38.01 1206.15 RMC1 306 1012 +1 .85 +0.2 3151.16 3200.76 3163.80 2416.21 3.21 3.13 18.30 49.94 1536.25 [FTZ] 2.500 9.9 +8	
1	48 Support Services(49) 2438	46 +0.2 2433.66 2454.21 2452.87 1617.18 1.91 2.49 27.07 24.45 1551.37 Based 1.300 308 44	
	49 Transport[21] 2378. 80 UTTL/TRESIAS 2378	02 02 0274 00 0411 00 2400 05 2400 00 5 54 000 4112 07 01 4012 40 Peoplet Collegent 163 093 41	
1	62 Bectricity(12) 2587.	12 -0.8 2505.91 2644.98 2522.98 2318.06 6.13 2.45 8.33 164.42 1256.26 Reed tert + 8:09 107 15	
	64 Gas Distribution(2) 1272. 85 Telecommunications(7) 2032.	71 +1.5 1253.51 1283.29 1276.89 2058.85 9.42 1.36 6.78 66.67 667.54 Periodit 2.400 409 -1	
1 -	68 Water(12) 2167.	06 -1,3 2200.19 2217.34 2223.31 1930.02 505 2.34 8.63 42.24 1190.16 Byl 8k Scotlandt 1.900 505	
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	70 FINANCIALS(1959 · 2571. 71 Banks, Retail(3) 3834.	Scotten & New 1 311 6701-	
	72 Banka, Merchant(5) 3652.	00 +0.4 3638.94 3690.07 3675.74 3265.24 2.70 2.36 19.46 36.38 1158.89 Scotter Powert 645 30812 -612	
	73 Insumince(23) 1490. 74 Life Assurance(6) 3370.	Sedpents 40 144	
1 1	77 Other Financial(21) 2671.	89 -0.5 2695.35 2695.33 2703.76 2034.95 3.89 1.71 16.74 55.57 1530.22 Step Transport 3.200 93512 +1.212	
	79 Property(41) 1522. 20 INVESTMENT TRUSTS(125) 3166.	The Table State Total State St	
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Bank bid premium fades

Bank of Scotland was backmarker in the Footsie as Standard Life announced that It would sell its 30 per cent stake

in the bank in the market. There was talk around the market, however, that the stake may yet be placed in the market if Standard gets a good offer for the stock. One rumour yesterday was that the shares would be placed at 325p after Bank of Scotland's annual meeting scheduled for today. Standard's statement scotched bopes of a straightforward bid for the bank and consequently pushed the BoS share price down by 161/2 to 248p in the beaviest volume in the sector. Turnover was 7.7m shares.

The stock did not fall any further because it still retains some lingering bid premium. Dealers suggested that any interested party could let the sbares dribble off and then sie stock, following news of the group's Internet link with MCI, step in with an offer of 280p a sbare and pick the bank up relatively cheaply. Royal Bank of Scotland,

NTT on the data supply side. The shares closed 6 better at which was flat at 509p, was dragged down by the prospect 3681/3p in volume of 12m. of a big stock overhang in the market. to have belped British Aerospace to power to an all-time high. Over the past three trad-

One specialist salesman commented: "The Standard sale is effectively a £1bn rights issue, and if you are not going to go overweight in the sector you have to take the money from somewhere." Securicor tumbled steeply on

7 per cent Ris Tot Sar Hopes for big defence contracts are running high, but the main thrust to the shares in recent sessions has been a

ing days the shares have risen

positive note from Merrill some concerns that it is abont Lynch. This places a value of to make another US nurchase. £14 a share on BAe, taking a BSkyB rose 61/2 to 437p after bullish line on notional flotasecuring the right to broadcast tion values for the Airbus conall rugby union games played sortium, in which BAe has a 20 at Twickenham, in an £87.5m per cent interest. five-year deal. Speculation that W.H. Smith The shares jumped a further will dispose of its stake in Do It

19 to 956p. Most City engineering teams put a value of between £10 and £12 on BAe's All to Boots, with which it jointly owns the DIY chain, core businesses. belped lift the newsagent by 21 Lucas Industries came off 2 to 237p, in 10m traded, as arbito 481p. Analysts said that Smith.

trage positions continued to which will announce the unwind on the news that BBA was not, after all, to bid for results of its four-month long strategic review tomorrow. the group. could offer a £50m sweetener to Pearson, the media conglom-erate which owns the Financial Boots, courtesy of the proceeds

shaken out. The shares ended Times, drifted off 9 to 659%p. with some switching into Reed International, which gained 15 The performance was at odds with several brokers' buy recommendations. NatWest at 1107p.

Securities, for example, put out Investors are still smarting over Pearson's losses resulting from the acquisition of Minda note which suggested that the rating at Securicor, which has a 40 per cent stake in the scape, the Californian software group, and there have heen Cellnet mobile phone system. "sbould reflect an element of

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Total Falls	365	Total Lows	36	Calls	18,683	
Same	1560			Puts	20,145	

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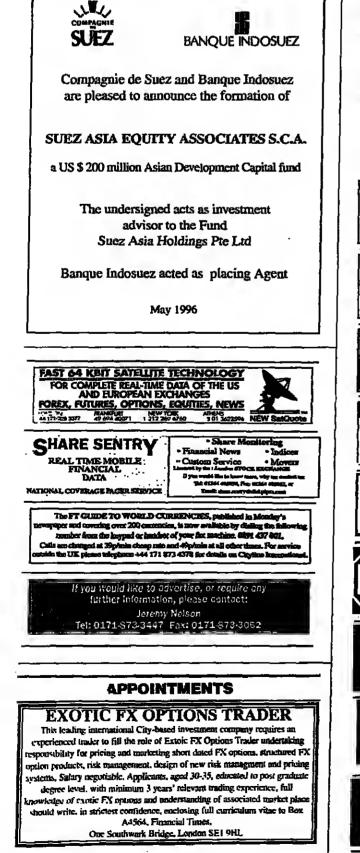
of the sale of its business stamarketing link with American tionery company earlier this Airlines resurfaced. The US press have lately been pushing year. Boots eased 3 to 595p. A secondary factor in the share price fall was news that the story hard, and the shares Asda, the supermarkets group, is to cut the price of Anadin paracetamol, one of the nonprescription drug industry

biggest-selling hrands. Th

gained 4 to 553p. Gaming and leisure company Ledbroke Group shrugged off

argued that the US group could well be poised to fund develop-ment of Cairn's big offshore to 40p as the market absorbed

gas find in Bangladesh. British Airways hardened as long-running rumours of a



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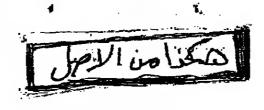
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WORLD STOCK MARKETS

FINANCIAL TIMES

Tuesday June 11 1996

AMERICA Dow weak as bonds continue to lose ground

world, announced yesterday that it would lower prices on

16 of its products by an aver-

age of 19 per cent. Its shares

retreated \$2% or 4 per cent to \$72. General Mills dipped \$1%

or 3 per cent to \$55% and Ral-corp Holdings was off \$% or 4 per cent at \$23%.

gained \$% or 5 per cent at \$19%

after announcing that it was

reviewing the possibility of

restructuring its hroadcasting and industrial groups into two

Community Health Systems

rose \$5% pr 20 per cent to \$52 after the New York buyout

company Forstmann Little said

that it planned to acquire the

company for \$52 a share. Forst-

mann said that it expected to

hegin a tender offer for the

Toronto traded thinly after a

5,134.22, and volume tumbled

after the company said that it

had entered a joint venture

with Circus Circus Enterprises

separate company

shares today.

Canada

Westinghouse Electric

Wall Street

36

US share prices were mostly lower in quiet midsession trading yesterday as the bond market continued to lose ground in the wake of Friday's stronger than expected figures on May employment, writes Lisa Bransten in New York.

At 1 pm, the Dow Jones Industrial Average was 16.52 weaker at 5,681.59. The Standard & Poor's 500 lost 1.44 at 671.87 and the American Stock Exchange composite shed 1.75 to 597.56 Volume on the New York Stock Exchange came to 186m shares.

Sharp gains among biotech-nology shares helped the Nasdag composite to add 1.05 at 1,230.81, in spite of a drop in several computer-related technology companies. The Morgan Stanley high-tech 35 index slipped 0.2 per cent, while the Morgan Stanley biotech index

jumped 1.6 per cent. Leading biotech shares were firm start on higher bullion prices. Wall Street's deterioration at midday an evident featured by gains in Cephalon and Chiron. On Friday a US infinence as the TSE 300 com-Food and Drug Administration posite index eased 3.03 to panel recommended the approval of the companies' drug to treat amytrophic latfrom 59.3m ahares to 33.9m. eral sclerosis, known as Lou Gehrig'a disease. Cephalon rose \$2% or 12 per cent to \$26 some of the sector's hot prosand Chiron added \$3% or 4 per cent at \$100%.

Among computer-related technology companies, hoth Microsoft and Intel - the two largest companies on the Nasdaq - were lower yesterday. Microsoft lost \$1% at \$120% and Intel fell \$% to \$74%.

The possibility of a price war among cereal makers hit companies in that area. Kellogg, the biggest cereal maker in the to install the first IMAX 3D theatre, in Las Vegas.

Santiago moves ahead

Santiago held on to early gains late morning trade, with the as prices were supported by IPC index 4.12 softer at 3.257.91. as prices were supported by rises in Chilean American Depositary Receipts, and the weighted IPSA index was 0.97 higher at 98.31 at midsession.

Analysts noted that foreign demand was bolstered by optimism that recent cuts in fuel prices would he reflected in lower inflation in June and an

May inflation figures, released on Sunday by the Bank of Mexico, were already discounted by the market; tha rate of 1.8 per cent was below the government's forecast.

SAO PAULO edged higher in volatile midsession trade ahead of the options expiry next Mon-

EUROPE Bourses recoup Friday's losses in muted activity

Bourses were relieved after to DM561.55. In sportswear, Wall Street's intra-day recov-with Euro 96 in full swing, Adiwith Euro 96 in full swing, Adi ery last Friday, but there was a das rose DM2.80 to DM120.90. lack of enthusiasm on the buy SGL Carbon, down on profitside. PARIS rebounded from taking following the celebra-Friday's 1.5 per cent drop, the CAC-40 index rallying 18.85 to tion of its New York listing, rebounded DM8 to DM176.

2,120.84, but turnover was thin One of last year's favourites at FFr3.2bn, little more than SAP, extended its recent half of Friday's FFr6.3bn. return to favour. A gain of Schneider, however, dealt in DM8.10 at DM225.20 left the heavy volume, with nearly Im shares in the electrical equipsoftware company up 25 per cent over the past two months. ment maker block traded as it Ms Jadwiga Bohrowska at Merck Finck in Düsseldorf roae FFr5.60 to FFr247.80. There was talk of a persistent noted that SAP was standing on a current year price/earn-Carrefour, the bypermarket ings ratio of 29.7 compared group, rebounded FFr72 to with nearer 100 for its Dutch FFr2,772 after profit-taking last competitor Baan. week. Sodexho, the catering

AMSTERDAM, none the less saw a recommendation for Baan. Kempen & Co initiated the stock as an outperformer. and looked for earnings per share growth largely to surpass other open systems soft-ware providers. Baan, said Kempen, was just taking off, and the shares rose FI 1.20 to F1 59 10.

Analysts were also active in Ahold, the supermarket group which, they said, should produce a 16 per cent growth rate in net profits in its first quarter figures on Thursday. The shares rose Fl 1.60 to F194.40. The AKX index advanced 4.80 to 570.31, mostly on Friday's Dow. The dollar, meanwhile, helped Royal Dutch

Jun 10					π	IE EUR	PEAN S	SERVES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1005.01	1685.76	1625.56 1723.45	1685.66 1724.50	1885.98 1725.82	1686.60 1725.22	1667.04 1724.95	1538.82 1724.40
		Jans 7	Jun 6	J	en 5	Jan 4	Jan	3
FT-SE Europeant 100		1679.84	1687.65 1		84.32	1681.26	1677.46	
FT-SE Executacit 200		1719.47	1732.5	τ 17	26.60	1727.74	1718 0 - 1722.8	

move up F13.80 to F1 262.10. MADRID closed at new highs, underpinned by Friday's government measures to boost economic growth. The general index rose 2.92 to 366.26, although turnover dropped from Pta59bn to Pta32bn.

Telefonica rose Pta40 to Pta2,400 after measures announced to open basic telephooy to another domestic operator, the market believing that the government would not admit full foreign competition ontil after 1998.

Oo the growth measures, analysts liked electrical utilities and motorway stocks. Among the latter, Aumar rose Pta50 to Pta1.660, and Acesa Pta55 to Pta1,510.

MILAN was enlivened by news that the bourse authorities had cleared the way for the listing of Mediaset, Mr Silvio Berlusconi's television and advertising group.

Comparisons were immediately drawn with the flotation

of Mediolanum, the life insurannual news conference. ance and financial services group formerly owned by Mr Berhisconi's Fininvest, whose shares rose L245 to L15,826 yesterday, taking their advance to 1.4 per cent, higher at 848.40. 32 per cent since the company

index rose 27.9 to 3,575.8.

The oil-based industrial com-plex Norsk Hydro rose was listed on June 3. Elsewhere the market was NKr6.50, or 2.1 per cent, to a record NKr317; the conglomerquiet, with the Comit index edging 0.31 higher to 661.25. ate Orkia emulated this feat Olivetti lost L12.5 to L954.8 with its A shares up NKr15, or as Mr Carlo De Beoedetti, 4.5 per cent, at NKr347. Brochairman and chief executive. kers said Orkla's better than said that he would appeal expected four-month results against a 4%-year jail sentence last Thursday had continned to over his role in the collapse of push up the share price. Banco Ambrosiano, 14 years STOCKHOLM saw particular strength in Ericsson and Volvo ago. Analysts noted that the sentence would be suspended Bs. np SKr4 to SKr154 and awaiting the appeal. Among the other De Bene-SKr8.50 to SKr153.50, as the

Affärsvärlden General index detti companies, Cir rose L10 put on 29.4. or 1.5 per cent, at 2,017.8. Skane-Gripen, the to L1,024 and Cofide was L12.5 higher at L537.5.

Fiat moved forward L58 to huilding materials company. rose 25 per cent to SKr80.50 15,204 on news that its car after a bid from Skanska. sales rose by 28.9 per cent in WARSAW extended its rally May in a European car market, excluding Italy, which into a sixth consecutive ses-

increased by just 7.4 per cent. sion, taking its cumulative advance to 11 per cent, hat ZURICH recouped some of analysts warned that the mar-Friday's losses but the mood ket was ripe for profit-taking was hesitant awaiting this later in the week in the run-up week's US prices data. The SMI to Russia's presidential elections on Sunday.

Among a firm showing by The Wig index climbed 378.6 tha financial sector, SBC rose SFr4 to SFr235.7 and Swiss Re or 3 per cent, to 13,025.5 in turnover that rose 16.6 per cent was SFr17 ahead at SFr1,233. SMH picked up SFr28 to to 129.3m zlotys.

Britain

Mhaits Ind.

westment o

ational car l

Banks gained ground in the SFr860 on weekend press reports after last week's wake of Bank Slaski's surge after ING agreed to pay 210 zlo-OSLO combined the dollar tys a share for a majority with a firm oil price and took stake. BRE picked up 3.50 zloequities to a new all-time high, tys to 69 zlotys and BPK 5.50 zlotys to 165.50 zlotys. Slaski the total index closing 11.78, or was flat at 238 zlotys. BUDAPEST pressed ahead

on speculative purchases of hanking and pharmaceutical issues and the Bux index fin-ished 33.50 higher at 2,993.84, just below the all-time peak of 2,997.08 set on May 14. TEL AVIV added to Sunday's

1.7 per cent fall with another of 0.9 per cent on concerns over the policies to be pursued by Mr Benjamin Netanyahu, the prime minister-elect.

Investors were also worried by the call for an Arab summit later this month in Cau which, they thought, could deal a blow to peace talks in the Middle East. The Mishtanim index shed 1.83 to 203.71.

Written and edited by William Cochrane and Michael More

The gold and precious metals Seoul takes profits, off 1.2% on new telecom licences sector, by this time, was only 10.19 ahead at 11,837.67 bnt

pects were doing better than that: Bre-X Minerals was Telecoms-related profit-taking foreign investors remained pulled SEOUL lower after the C\$2.45 higher at C\$23.90 in 2.58m sbares; and Arequipa results of tenders for new tele-Resources rose C\$1.70 to communications licences were C\$20.40 in a fraction under 1m. announced. The composite Imax Corp. trading in light volume, climbed C\$4 to C\$53 index fell 11.15 to 892.17.

foreign buyer.

completer

company, climbed FFr108, or

5.8 per cent, to FFr2,148. Deal-ers here said that a long-

standing sell order had been

FRANKFURT made some

attempt to reflect the recovery

in the dollar and the better

feeling about auto industry

prospects. Volkswagen climbed

DM10.10 to DM564.50 as the

Dax index rose 16.93 to an Ibis-

However, turnover stayed low at DM6.7bn and, once

again, the share prica action

came in concept stocks. In

retailing, Kaufhof, with ahare-

holders demanding better terms for the Asko/Metro

merger, rose another DM16.05

ndicated 2,552.96.

ASIA PACIFIC

LG loformatioo lost Won5,500 at Won98,000. although a consortium, which it led, won one of three licences to operate a personal communications network. Korea Mobile fell Won10,000 to Won755,000, Samsung Electronics Won700 to Won69,000 and

Hyundai Engineering Won900 to Won38.000. Against the trend, Dong Wha rose Won700 to Won33.000 after

the company said that it was testing a new drug that could be used to treat liver and skin cancers, and certain types of rheumatism. Several insurance shares

also moved ahead on good earnings prospects. Oriental Fire and Marine strengthened

relinquished 57.53 at 22,867.55 inactive and volume shrank to in volume of 16.1m shares. 264m shares, its lowest this

Roundup year. Positions in the futures

markets were being rolled over from the June contract to its September equivalent, said traders, and investors remained uncertain due to the

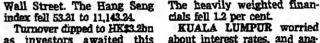
large arbitrage positions. The Topix index of all first section stocks slipped 1.77 to 1,657.92 and the Nikkei 300 ended 0.24 easier at 308.11. Declining stocks outnumbered advances by 594 to 399, while

211 issues were unchanged. In London the ISE/Nikkei 50 index gained 1.36 at 1,457.50. Retailers were led down by Takashimaya, the Osaka-based department store, which was raided over the weekend on alleged ties with yakuza. The stock fell Y50 to Y1.670 on allegations that the retailer had

Profits were taken after recent gains in KARACHT's blne chips, and ahead of the opening of the new account today.

The KSE 100 index fell 22.14, or 1.3 per cent, to 1,726.38. PTCL lost PRs0.65 to PRs44.25 and Hinbco PRs0.96 to PRs36.35, although Pakistan State Oil capped losses late last week, and on Sunday, with a

token rise of PRs2 to PRs403. HONG KONG registered moderate losses, largely ignor-ing Friday's rout of Hong Kong stocks, traded in London, which fell in a knee-jerk reaction to the early sell-off on



as investors awaited this about interest rates, and analysts noted that two large bond week's US economic data, and issues, totalling M\$3.4bn, in a series of forthcoming new the next two weeks would

Lai Sun Development rose 8 tighten interhank merket cents to HK\$1.56 in heavy tradliquidity. The composite index eased 2.30 to 1,128.87, but Hong Seng Lee, which made its trading after the chairman cut his stake to 5.5 per cent. Yue Yuen gained 12.5 cents at HK\$2.025. ing debut, closed at M\$8.30, Goldman Sachs said on Sunday against its M\$3.20 offer price. that it would inject \$55m into BOMBAY ovarcame early the footwear maker. weakness as foreign funds,

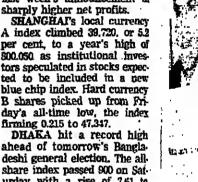
TAIPEI saw late selling of cheered by assurances that the new government would liberallarge-capitalisation stocks and ise the economy, bought blue chips. The BSE-30 index fin-ished 23.13 higher at 3,689.34. financials: brokers expected continued consolidation and cautious sentiment. The Shanti Gears, the motor comweighted index closed 36.13 ponents group jumped Rs17.50 lower at 6,073.09, some 50 points off its intra-day high. to Rs237.50 in response to

The heavily weighted finanlast week's announcement of

SHANGHAI's local currency A index climbed 39,720, or 5.2 per cent, to a year's high of 800.050 as institutional investors speculated in stocks expected to be included in a new blue chip index. Hard currency B shares picked up from Friday's all-time low, the index

DHAKA hit a record high ahead of tomorrow's Bangladeshi general election. The allshare index passed 900 on Saturday with a rise of 7.61 to 901.49. Analysts predicted that the rally would continue after the polls: yesterday the index. added 0.57 at 902.06.

· Sydney and Bangkok were closed for holidays.



Enza a la se

1000 C - 2-1400

eventual fall in interest rates. day. The Bovespa index had MEXICO CITY edged back in gained 19.88 at 55,322. to Won97,600.

	MARKE	TS IN	PERSP	ECTIVE	<u> </u>	
	*	change in loc	el cunency †		% change starting t	% change in US S †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.21	+5.15	+8.18	+19.08	+11.83	+11.06
Belglum	-0.18	+2.20	+17.53	+7.21	+0.60	-0.08
Denmark	+0.15	+0.21	+12.76	+8.89	+2.56	+1.86
inland	-4.30	+2.57	-2.60	+11.50	+3.50	+2.79
France	-0.30	-0.10	+8.75	+15.13	+8.07	+8.31
Sermany	+0.81	+3.17	+16.88	+10.81	+4.06	+3.38
reland	+0.79	+1.03	+26.69	+12.69	+11.84	+11.07
taly	-1.80	-1.98	+2.79	+7.84	+11.07	+10.30
Netherlands	-0.56	+2.09	+29.31	+16.25	+9.25	+8.49
Norway	-0.08	+2.17	+17.90	+12.55	+9.12	+8.36
Spain	+0.81	+2.00	+26.99	+14.00	+7.58	+6.83
Sweden	+0.82	+2.02	+25.32	+15.71	+14.37	+13.58
Switzenand	-0.06	-0.14	+26.29	+7.42	-1.68	-2.36
JK XL	-1.21	-1.48	+10.03	+1.26	+1.26	+0.56
SUROPE	0.47	+0.24	+14.86	+8.03	+4.36	+3.63
Australia	-2.08	-2.09	+9.88	-0.48	+6.63	+5.89
Hong Kong	-0.86	+4.74	+19.39	+12.69	+13.35	+12.57
lapan	-0.93	+0.66	+30.41	+4.32	-0.64	-1.33
Malaysia	-0.29	-1.68	+3.77	+12.71	+15.39	+14.59
New Zealand	-1.10	-4.22	-7.10	-6.71	-3.75	-4,42
Singapore	+1.04	-1.40	+5.56	+3.20	+4.33	+3.60
Canada	-1.65	-0.66	+14.18	+9.66	+10.31	+9.55
ISA	+0.65	+3.15	+25.83	+8.19	+9.95	+9.19
Mexico	+1.66	+1.85	+51.47	+18.82	+22.56	+21.71
South Africa	-0.58	+0.86	+22.99	+11.91	-5.86	-6.51
WORLD INDEX	-0.14	+1.56	+22.99	+7.75	+5.87	+5.13

them from heckling at Its annual shareholders meeting. Won1,500 to Won33,000 and LG Insurance picked up Won1,800 Investors feared that the allegations could hit the company's image, and affect its sales during the summer gift-giving

paid off gaugsters to prevent

Tokyo

season A nervous session closed Seven-Eleven Japan, the con-venience store chain, dipped Y60 to Y6,590 and Daiei, the mixed as caution prevailed ahead of Friday's settlement of the June futures contract, leading national snpermarket writes Emiko Terazono in chain, lost Y10 to Y1,270.

Speculative favourites were The Nikkei 225 average fin-ished 32.66 down at 31,719.15, after moving narrowly between hought, although cantion spread due to the volatility of some issues. Tokai Kogyo, the 21,641.28 and 21,733.42. A general contractor, forged ahead Y100 to Y920 and Kanedecline in futures prices in Chicago on Friday prompted tech-nical selling, but the dollar's appreciation triggered some small lot buying of export-orimatsu, the trading company, jumped Y24 to Y779; but Kane-matsu-NKK was bid at Y3,610 after being offered at Y3,850 on Friday.

Domestic institutions and In Osaka, the OSE average

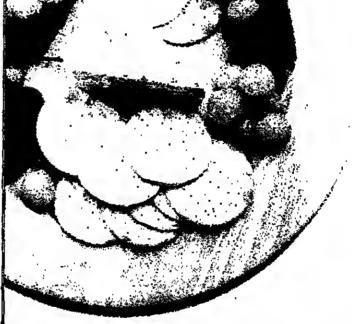
S African industrial gains pared

Johannesburg, operating for the first time with its automated Johannesburg, operating for the first time with its automated trading system, saw industrial shares pull back after an early 64-point advance in response to Wall Street's late bounce on Friday. Gold shares started the day weak, although analysis explained this as a correction from Friday's artificially high bids. The overall index ended 11.6 up at 6,826.4, industrials gained a net 26.3 at 8,024.7 and golds finished 15.4 down at 1,896.7. De Beers closed R1 softer at R137, SA Breweries put 0, R5, at R131 and Libert Life comparison of R134 at R137. on R3 at R131 and Liberty Life appreciated R1.25 to R135.25.

FT/S&P ACTUARIES WORLD INDICES

ed, Goldman, Sachs & Co. and Standard & Poor's. The indices are compl

NATIONAL AND REGIONAL MARKETS			FI	ADAY JL	INE 7 19	96		THURSDAY JUNE & 1996 DOLLAR PRDEX								
Figures in parentheses show number of lines	US Dollar	Day's Change	Pound	-	DM	Local	Locai	Gross	US	Pound		-	Local		_	Year
of stock	Index	%	Index	Yen	Index	Eurrancy Index	≪ chg on day	Div. Yield	Dollar Index	Stering Index	Yen	DM Index	Currancy Index	S2 week	52 Week	ago (approx
Australia (79)		1.0	193.50	138.71	160.53	169.09	0.3	4.35	199.22	197.68	137.51	158.47	168.53	212.18	162.68	
Austria (25)		-0.8	166.39	133.61	154.63	154.55	-0.3	1.81	194,94	187.57	134.56	155.07		199.28		
Beigium (27)		-0.8	200.92	144.03	166.69	162.73	-0.4	4.09	210.57	202.61	145.35	187.50		215.81		
Brazil (26)		~1.3	158.53	113,64	131,52	303.22	-1.2	2.14	167.03	160.71	115.29	132.86		171.05		
Canada (99)		-0.6	156.37	112.08	129.72	160,76	-0.6	2.37	163.61	157.A2	112.93	130.14		155.12		
Denmark (30)		-0.4	282.83	202,75	234.65	237.00	-0.1	1.90	295.23	284.07	203.79	234.85		305.17	275.65	
Finland (23)	192.28	1.8	184.89	132.54	153.39	190.09	-1.4	2.63	195.40	188.02	134,88	155.44		278.11	171.73	
vance (#7)		-1.5	186.85	133.95	155.02	158.45	-1.3	3.03	197.25	188.79	135,15	156.81	150.50	106.39	167.70	
Germany (90)		0.0	162.70	116.63	134.98	134.98	0.3	1.85	169.17	162.76	115,78	134.57	134.57	174.38		
long Kong (59)		-0,2	419.67	300.84	348.17	433.70	-0.2	3.29	437.26	420.73	301.83	347.83		451,19	348.81	365.6
reland (16)		-0.9	272.90	195.63	226.40	253.13	-0.9	3.39	236.37	275.54	197.67	227.80		286.37	228.88	230.3
125 y (59)		-1,4	78.17	56.04	64.85	94.18	-12	2.33	82.47	79.35	56.93	65.60		84,53	67.22	
lapan (461)	1	-0.3	147.00	105.38	121,96	105.38	-0.4	0.73	153.31	147.51	105.82	121.95		164.58	137.75	151.5
Aelayeia (107)		-0.3	534.55	383.19	443,48	534,70	-0.3	1.68	557.48	538.40	384.81	443.48		585.09	425.77	548.
Andico (18)		-0.4	1212.22	868.97	1005.68	10367.61	-0.2	1.37	1266.00	1218.14	873.88		10388.25	1325.65	791.99	
atheriand (19)		-1.3	284.51	203.95	236.04	231.97	-1.0	3.11	299.69	288.36	208.87	238.40		299.89	245.79	
lew Zealand (15)		0.3	73.22	52.49	60.74	60.35	00	4.55	73.94	73.07	52.42	60,41	60.33	85.49		
lorway (35)		-1.2	241.00	172.76	199.94	223.24	-1.0	2.03	253.77	244.17	175.17	201.87			75.94	82.
ingapore (44)		-0.3	405.89	290.82	336.57	273.94	-0.3	1.37	423.18	407.16			225.42	255.75	221,20	222.5
South Africa (45)		-0.6	346.40	248.31	287.38	343.60	-0.4	2.11	362.45		292.09	336.61	274,80	465.21	355.81	4043
Spain (37)		-0.7	169.70	121.65	140.76	173.00	-0.7	3.21		348.75	250.18	268.32	344.89	437.78	338.91	347.
Sweden (48)		-1.8	340.86	244.34	282.78	354.31	-1.6		177.74	171.02	122.69	141.39	174.30	179,85	145.15	
Switzerand (38)		-1.6	221.56	158.82	163.81	180.84	-0.9	2 40	360.77	347.13	249.03	285.98	360.08	360.77	259,68	254/
hailand (46)		-0.3	168.39	120.71	139.70	172.36		1,64	234.11	225.26	181,60	185.23	182.48	252,34	191.24	199,4
Invited Kingdom (201)	291.02	-1.3	227.92	159.80	184.94		-0.3	1.91	175.68	199.04	121.27	139.75	172.91	193.95	146.74	173.0
JSA (627)	231.0E	0.0	263.80			222.92	-1.4	4.17	234.94	226.08	762,17	186.69	228.06	237.A3	210.29	217.
				189.10	218.85	274.34		2.15	271,37	284.00	189.39	216.26	274,37	276.45	215.77	218.0
znericas (772) Europe (716)		-0.1	240.84 200.18	172.65 143.50	199.81	210.54	0.0	2.15	250.58	241.10	172.97	199.33	210.63	252.43	197.88	199.7
lordic (136)		-1.5	290.52		166.07	183.55	-1.0	3.07	210.62	202.68	145.38	187.54	185.39	211.35	187.21	189.5
acific Elean (831)	100 10	-0.2	159.78	208.26	241.02	265.44	-13	2.31	306,61	295.02	211.84	243.90	288.89	306.61	250.62	254.2
				114.54	132.56	116 89	-0.3	1.18	168.51	160.22	114.94	132.45	117,11	177.01	148 88	161.4
uro-Pacific (1546)		-0.7	176.51	126.53	146.44	142.02	-0.7	2.05	184.79	177.80	127.55	146.99	142,98	190.57	186.51	173.
Ionin America (726)	267.42		257.16	184.34	213.34	266.72	0.0	2.18	287.51	257,40	184.65	212.80	255.81	269.57	211.12	2133
urope Ex. UK (514)		-1,1	182.85	131.08	151.70	159.56	-0.8	2.48	192.22	164.85	132.68	152.90	190.81	182.87	168.40	170.
actic Ex. Japan (350)	269.09	0.1	277.99	199.28	230.63	248.81	-0.1	3.06	288.80	277.88	199.35	229.73	249.81	296.88	243.59	256.3
Vorld Ex. US (1738)		-0.7	177,81	127.46	147.52	145.49	-0.7	2.08	186.15	179.11	128.49	148.07	147.45	191.55	243.35	
Nond Ex. UK (2162)		-0.3	202,65	145.27	168.12	178,14	-0.3	1.91	211.35	203.36	145.89	168.12	179.83			1733
Vorid Ex. Japan (1882)	245.55	-0,4	236.12	169.26	195.89	233.07	-0.4	2.2	246.55	237.24	170.19	196.12	233.91	213.05 247,55	180.73 205.87	184.2
The World Index (2363)	212.67	-0.4	204,50	146.60	169.88	183.31	-0.4	211	213.48	205.41		188.82		2007	ana:	201.0



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